

Implementation Statement

University of Reading Pension Scheme

Purpose of this statement

This implementation statement has been produced by the Trustees of the University of Reading Pension Scheme ("the Scheme") to set out the following information over the year to 31 July 2023:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes; and
- A summary of any changes to the Statement of Investment Principles (SIP) over the period;
- A description of how the Trustees' policies, included in their SIP, have been followed over the year.

The voting/engagement behaviour is not given over the Scheme year end to 31 July 2023 because the investment managers only provided this data quarterly, therefore we have given the information over the year to 30 June 2023.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at 31 July 2023 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last updated in February 2022 and has been made available online here: <https://vfm.aviva.co.uk/university-of-reading/>

Following year-end, the Trustees have set out their stewardship policy for inclusion in the Statement of Investment Principles. To enable the Trustees to make high quality decisions, the fact-finding and analysis is delegated to the Trustees' independent investment advisor and/or Investment Sub-Committee. The Trustees have established ownership/voting principles that are consistent with their main investment manager, Aviva, which will be kept under review. These principles include researching companies, identifying any issues and then engaging with them as necessary. Voting and engagement focuses on a range of themes including:

- Tackling the cost of living crisis;
- Transitioning to a low-carbon economy;
- Reversing nature loss

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their **1 August 2019** meeting and were satisfied that their policies were reasonable and no remedial action was required at that time.
- The Trustees obtained training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.
- Annually the Trustees receive and review voting information and engagement policies from both the asset managers directly and via the platform provider, Aviva, which the Trustees review to ensure alignment with their own policies. This exercise was most recently completed at **the 7 February 2023 Trustees' Meeting** and will take place again at **the February 2024 Trustees' Meeting**.

Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of the fund managers are in alignment with the Scheme's stewardship policies.

Prepared by the Trustees of the University of Reading Pension Scheme

December 2023

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers on behalf of the Trustees over the year to 31 July 2023. The L&G (PMC) Pre-Retirement Fund, BlackRock Institutional Sterling Liquidity Fund and BlackRock Over 5 Year Index-Linked Gilt Index Tracker have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	BlackRock	LGIM	HSBC
Fund name	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	LGIM Diversified Fund	Islamic Global Equity Index
Structure	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting data.
Number of company meetings the manager was eligible to vote at over the year	2,336	9,084	108
Number of resolutions the manager was eligible to vote on over the year	32,698	92,836	1,694
Percentage of resolutions the manager voted on	97.1%	99.8%	94%
Percentage of resolutions the manager abstained from	1.9%	0.4%	0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	75.4%	76.7%	76%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	22.7%	22.9%	23%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	19.2%	14.1%	1%

The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstention as opposed to not returning a voting form or choosing to nominate a proxy.

Significant votes

We have delegated to the investment managers and Aviva to define what a “significant vote” is. A summary of the data and narratives that they have provided is set out below.

BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index

BlackRock provided details of ten significant votes, two of which have been randomly selected and are set out below. Details of other votes can be requested from BlackRock.

	Vote 1	Vote 2
Company name	Wesfarmers Ltd	Visa Inc
Date of vote	27/10/2022	24/01/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.04%	0.45%
Summary of the resolution	Elect Jennifer Anne Westacott as Director	Advisory Vote to Ratify Named Executive Officers' Compensation
How the manager voted	Voted against the resolution.	Voted against the resolution.
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	Yes
Rationale for the voting decision	This company is regarded as a high emitter, and BlackRock would like such companies to adopt appropriate carbon reduction targets that are preferably verified by trusted external parties, such as the Science-Based Targets Initiative. In the absence of these targets, they cannot support this director's election, who they hold accountable for adopting appropriate climate strategies.	The focus of this vote was on long-term incentive awards that are not sufficiently performance-based. More pertinently, BlackRock also highlighted the company's excessive provision of corporate aircraft usage perquisite to the CEO.
Outcome of the vote	The resolution passed (96.9% supported)	The resolution passed (89.7% supported)
Implications of the outcome	BlackRock will engage with the company ahead of the next AGM to place emphasis on their expectations in terms of climate targets.	In the current economic environment, BlackRock are placing emphasis on the disparity between pay of executives and the wider workforce. The company's provision of generous benefits and not attaching performance conditions to variable pay is of concern, and BlackRock used voting and engagement to express this concern to the company.
Criteria on which the vote is considered “significant”	This vote was selected as the governance and climate issues identified are potentially material to the investment case.	This vote was selected as the governance issues are potentially material to the investment case.

LGIM, LGIM Diversified Fund

LGIM provided details of 1817 significant votes, two of which have been randomly selected and are set out below. Details of other votes can be requested from LGIM.

	Vote 1	Vote 2
Company name	Shell Plc	American Tower Corporation
Date of vote	23/05/2023	24/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.3%	0.2%
Summary of the resolution	Resolution 25 - Approve the Shell Energy Transition Progress	Resolution 1f - Elect Director Robert D. Hormats
How the manager voted	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	
Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company leadership in pursuing low carbon products. However, they remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female.
Outcome of the vote	80% (Pass)	80% (Pass)
Implications of the outcome	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered "significant"	LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

HSBC Global Asset Management, Islamic Global Equity Index

HSBC provided details of ten significant votes, two of which we have randomly selected and are given below. Details of other votes can be requested from HSBC Global Asset Management.

	Vote 1	Vote 2
Company name	Amazon.com, Inc.	Chevron Corporation
Date of vote	24/05/2023	31/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	5.3%	1.2%
Summary of the resolution	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining	Elect Director Wanda M. Austin
How the manager voted	For (Vote Against management)	Against (Vote Against management)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	HSBC communicated their voting intention in a meeting ahead of the AGM	No
Rationale for the voting decision	HSBC believe that the proposal would enhance accountability.	HSBC are voting against this Lead Director as they have concerns about the company's management of climate-related risks.
Outcome of the vote	The shareholder resolution did not pass but received over 35% support from shareholders.	The resolution passed.
Implications of the outcome	HSBC will continue to engage on the issue along with other issues of concern, and will likely vote against a similar proposal should they see insufficient improvements.	HSBC will likely vote against a similar proposal should they see insufficient improvements.
Criteria on which the vote is considered "significant"	The company is on HSBC's 2023 engagement priority list, has a significant weight in the portfolio and they voted against management.	The company has a significant weight in the portfolio and HSBC voted against management.

Fund level engagement

Manager	BlackRock	LGIM	HSBC
Fund name	BlackRock Aquila Life (30:70) GBP Hedged Global Equity Index	LGIM Diversified Fund	HSBC Global Asset Management
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	3,352	1,039	55
Number of engagements undertaken at a firm level in the year	4,000	1,133	2,561

Examples of engagements undertaken with holdings in the fund or by the firm as a whole

Aviva

Aviva provided details of five examples of engagement, two of which have been randomly selected and are set out below. Details of other engagements can be requested from Aviva.

Climate Change

Aviva were concerned that greenhouse gas ("GHG") emissions and consumption of fossil fuels continue to rise each year and believe that energy companies bear a responsibility to transition towards renewable solutions, and disclose their climate impact, to better analyse their risk and carbon footprint.

Aviva Investors have been engaging with Enel as part of their Climate Engagement Escalation Programme ("CEEP") as well as previously engaging on areas such as decarbonisation plans and increased transparency in reporting. They have seen continuing progress from Enel, building on 2022 milestones by setting GHG reduction targets validated by the Science Based Targets initiative ("SBTi"). The company has also made progress on its decarbonisation plan, now aiming to reduce direct emissions from power generation by 80% in 2030 and 100% in 2050. Management also aims to have renewables generating 75% of their total production by 2025 and phase out coal-fired plants completely by 2027.

Natural resource use/impact

Aviva fundamentally believe deforestation poses a significant threat to wildlife and contributes to the worsening of climate change. Some firms are directly responsible for forest degradation, whilst others indirectly contribute through exposure in their supply chains or lending practices. The Bank of Montreal has been identified as one

such case through the Global Canopy's Forest 500 list, which tracks the most influential firms linked to deforestation in their supply chains and investments.

Aviva Investors is a member of the Finance Sector Deforestation Action ("FSDA") Group, which act to eliminate commodity-driven deforestation from the organisation's portfolios by 2025. They also led the engagement with the Bank of Montreal earlier this year, where they requested further information on the company's approach to deforestation and the steps they are taking to reduce exposure. The bank is taking steps to collect information on their clients, and Aviva look forward to seeing how the bank uses this data to reduce their exposure to deforestation risk.

BlackRock

BlackRock have engaged with a range of companies on issues including: Board Composition and Effectiveness, Business Oversight and Risk/Executive Management, Corporate Strategy, Governance Structure, Remuneration, Climate Risk and Environmental Impact Management, Operational Sustainability, Biodiversity, Human Capital Management, Diversity and Inclusion, and Social Risks and Opportunities.

LGIM

LGIM have many examples of engagement that they can provide, with lots of information provided at <http://www.lgim.com/responsibleinvestment>.

One example of LGIM's engagement is their ethnicity engagement campaign to tackle the lagging UK and US mid-cap companies of the FTSE 250 and the Russell 1000 indices. In January 2023, they wrote to 95 of these companies who had no ethnic diversity at board level, setting out their expectation to have at least one person of ethnic background on their board by the end of 2024. LGIM have also committed to vote against these companies from 2025 onwards, where their expectation is not met.

HSBC

HSBC provided details of five examples of engagement, one of which has been randomly selected and is set out below. Further examples can be found at <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/stewardship>.

Climate change, diversity and cross-shareholdings

HSBC discussed the alignment of Toyota's new electric vehicle ("EV") strategy with the 1.5C scenario and challenged its reluctance to set more ambitious EV targets. During a meeting with senior management in Q3 2022, they welcomed the news that Toyota's targets were approved by SBTi but encouraged it to seek to have its scope 3 target as 1.5C aligned. They also again raised concerns about CEO Toyoda's comments which are often seen as opposing a rapid take-up of EVs. HSBC plan to visit a UK plant in Q3 2023 to better understand the work towards decarbonisation in the production process and challenges related to a shift to EVs.

How the SIP has been followed over the year

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Scheme offers a suitable default strategy for members over this period. The Trustees reviewed this in 2022 noting that the membership profile implied that a target of cash and/or drawdown at retirement may now be more suitable than annuity. The Trustees decided to change the default strategy for

members, with implementation to occur post accounting period and that the suggested replacement will include ESG factors.

- The Scheme offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The Trustees reviewed this in 2022 and concluded that the existing funds remained appropriate given the general low level of interest members had expressed in these options.
- The Trustees monitor the performance of each manager's funds quarterly to ensure that the funds are meeting their stated objectives. Their Investment Consultants and managers provide quarterly reports for review and should an urgent issue develop, would make immediate contact with the Trustees.
- The Trustees also consider the performance of each manager's funds in context of their investment strategy and should their investment consultant identify any concerns, a review of that area of investment strategy would be initiated.
- The Trustees initially considered the ESG capabilities of each of the Scheme's managers at the meeting on 1 August 2019 and agreed that the managers' policies are reasonable. No action was taken as a result of this exercise.
- Annually the Trustees receive and review voting information and engagement policies from both the asset managers directly and via the platform provider, Aviva, which the Trustees review to ensure alignment with their own policies. This exercise was most recently completed at **the 7 February 2023 Trustees' Meeting** and will take place again at **the February 2024 Trustee's Meeting**.
- The Trustees have made no new manager or fund appointments over the year to 31 July 2023.