ENGAGEMENT POLICY IMPLEMETATION STATEMENT

Cambridge University Assistants' Contributory Pension Scheme

31st July 2023

Introduction

Under regulatory requirements covering occupational pension schemes, Cambridge University Assistants' Contributory Pension Scheme (the 'Trustee') is required to publish an annual Implementation Statement stating how the policy covered in the Statement of Investment Principles (the 'SIP') regarding the exercise of the rights (including voting rights) attaching to the investments and the undertaking of engagement activities in respect of the investment has been followed.

From 1 October 2022, further Department of Work and Pensions ('DWP') guidance on the reporting of stewardship activities through Implementation Statements came into effect. This statement aims to consider this guidance as the Trustee moves towards meeting the DWP's updated stewardship expectations.

This statement, prepared by the Trustee on behalf of the Scheme, covers the period from 1 August 2022 to 31 July 2023.

Scheme's Stewardship Policy

The below bullet points summarise the Scheme's stewardship policy in force over the Scheme year to 31 July 2023.

The full SIP can be found here: https://tinyurl.com/Statement-of-I-P

- The Trustee believes that in order to…. protect and enhance the value of the Scheme's investments, it must act as a responsible steward of the assets for which it is responsible. The Trustee recognises the need to ensure high standards of governance and corporate responsibility in the underlying entities in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme. The Trustee therefore expects the Scheme's investment managers and Investment Consultant to follow industry best practice with regards to stewardship and encourages them to abide by the principles set out in the UK's Stewardship Code.

- To best channel stewardship efforts, the Trustee believes it should focus on key themes. Although the Trustee is reviewing managers' stewardship activities in general, initially, it has chosen to focus efforts on climate change. The Trustee sees this as a financially material risk and an area that the Scheme can and should use its influence to promote positive change.

- As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers, as major institutional investors, to:

    - engage with investee companies, where appropriate, with the aim to protect and enhance the long-term value of assets taking material Environmental, Social and Governance ("ESG") factors, including climate risks, into account; and

    - exercise the Trustee's voting rights in relation to the Scheme's assets in a way which holds directors of investee companies accountable for long-term and responsible behaviour, taking into account material ESG factors, including climate risks.

- The Trustee reviews the stewardship activities of their investment managers at least annually, covering both engagement and voting actions.

- From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage directly with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Scheme's Stewardship Activity Over the Year

Ongoing Monitoring

Over the first half of the Scheme year, Investment monitoring took place on a quarterly basis, with a monitoring report being provided to the Investment Committee (IC) by Aon. The reports included Aon's ESG ratings, which are based on a variety of qualitative factors. Aon's ESG rating framework does not cover the Scheme's investment in the Aegon Property fund, as this fund is not rated by Aon, nor BlackRock or CIP due to the nature of these investments.

During the Scheme year, the Trustee transitioned to Redington as the new investment consultant. As a part of this transition, the Trustee has outlined plans to conduct a comprehensive Strategic Asset Allocation (SAA) review. This review will involve a thorough examination of the Environmental, Social, and Governance (ESG) approaches employed by any investment managers in place after completion of the review. It is important to note that Redington currently does not assign ESG and Stewardship Advantages to any of the Scheme's managers.

Redington deliver an annual ESG report to the Trustees. This report assigns an ESG Ranking to each fund and delves into the carbon metrics underlying each investment within the Scheme. The ESG report highlights key Carbon Metrics including Scope 1+2 and Scope 3 Carbon emissions, Carbon Footprint, and SBTi ratings. Through this reporting, the Trustee will be able to track the carbon emission changes of each manager mandate and assess whether this is in-line with the Trustee's expectations. Where it is not, the Trustee may consider engaging with the relevant manager directly, or via the Scheme's investment consultant.

As part of moving towards the new DWP stewardship expectations, the Trustee plans to consider both how best to assess the engagement activities of the Scheme's managers and how best to then engage with the managers where necessary. The Trustee may also set new expectations for the Scheme's managers' engagement activities to ensure they are of sufficient quality.

Manager Stewardship Update

Redington confirmed the Scheme's investment managers' UK Stewardship Code status. At the time of the review, all of the Scheme's investment managers were signatories of the Code with the exception of Reams Asset Management, Copenhagen Infrastructure Partners and CVC Credit Partners. The Scheme's investment consultants Redington have also confirmed that they are signatories of the Code.

The Trustee has reiterated the importance of the Code to the Scheme and engagement with these investment managers who are not currently signatories to the UK Stewardship Code is ongoing.

Updating the Stewardship Policy

In May 2023, the Trustee updated the wording in the SIP to reflect that they expect all investment managers to follow industry best practice with regards to stewardship and encourages them to abide by the principles set out in the UK Stewardship Code.

Manager Meeting Attendance

The IC invites its appointed investment managers to attend meetings. During the period, the IC met Genesis. The purpose of the sessions is for the managers to provide an update to the IC on their business, the funds held and how they incorporate ESG considerations into their investment process.

Whilst the Trustee's ambition is to meet managers more frequently, the Trustee is currently undergoing a complete review of the Strategic Asset Allocation, with a particular emphasis on the integration of ESG and stewardship across its assets. Moving forward, and following the outcome of this review, the Trustee intends to meet with all managers on an ongoing basis. The Trustee will use these opportunities to discuss the managers' adherence to the Trustee's stewardship policy amongst other matters.

Reviewing the Responsible Investment Policy of the Scheme

As part of Redington's appointment, the Trustee undertook an investment beliefs exercise that included a full review of the current Responsible Investment Policy of the Scheme. Redington presented the outcomes of the beliefs exercise to the Trustee. One area highlighted was the intent to engage rather than disinvest from managers and underlying holdings, with disinvestment being reserved as an escalation tool to use following repeated engagement.

As part of the ESG beliefs exercise that was undertaken by the Trustee, an ESG working group was formed. The ESG working group aim to meet to discuss the stance of the Scheme to tackling climate change risk.

Summary

Based on the evidence provided by the investment managers and a review by its investment advisors, the Trustee believes that it is reasonable to conclude that the Scheme's investment managers have acted in accordance with the Scheme's stewardship policies. The Trustee notes that most of its investment managers were able to disclose adequate evidence of voting and engagement activity. Examples of this are included in Appendix A and B.

The Trustee recognises that they have responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in.

The Trustee expects ESG issues to evolve further over time. Improvements in disclosures are expected in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

The Trustee will continue to engage with its investment managers to ensure visibility of voting and engagement improves, including greater detail on the specific ESG issues prioritised (including climate risk) and the impacts that have been achieved. The Trustee will monitor, assess, and ultimately hold investment managers to account to ensure that the assets of the Scheme are appropriately invested.

Looking Ahead

It is the Trustee's belief that the policies set out in the SIP regarding the exercise of rights attaching to investments and the undertaking of engagement activities in respect of the investments has been followed over 2022/2023.

Over 2023 and into 2024, the Trustee plans to consider how best to meet the DWP's new expectations on stewardship and move to take more ownership of stewardship, as the new guidance expects. Changes to the Trustee's approach will be taken with regard to the Scheme's governance constraints and the in the best interest of the Scheme's members.

Appendix A

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Scheme's investments and is not restricted to equity investments. With this in mind, below are three examples of engagement within the credit and property asset classes.

Pacific Management Investment Company (PIMCO) – Diversified Income Fund

Company: Major Commercial Bank in Latin America

Focus of the engagement: ESG Bonds, Land use/Biodiversity, and Transparency and Reporting.

Details of the engagement: PIMCO engaged with the sustainability team to discuss its policy and due diligence of deforestation and plan to disclose portfolio emissions and climate risks. PIMCO encourages the issuer to set a zero-deforestation commitment, enhance the transparency of its due diligence process, including specific screening criteria for high-risk activities, alignment with international standards and transparency on its process for escalation or handling of non-compliance.

Outcome of the engagement: Following the engagement, the bank published a sustainability bond framework and issued its inaugural social bond. PIMCO will continue to follow up on its process in enhancing due diligence, client engagement and climate disclosures.

Aegon Asset Management – UK Property Fund

Company: Small core plus, open-ended UK Balanced Property Fund.

Focus of the engagement: Addressing the Fund's poor Global Real Estate Sustainability Benchmark (GRESB) scores, especially in relation to Energy, Carbon Emissions, Water and Waste.

Details of the engagement: Aegon engaged with the manager to ensure these issues were addressed and to provide an action plan to improve data collection and energy efficiencies and to ultimately improve the Fund's GRESB scores and ESG performance.

Outcome of the engagement: The manager acknowledged the poor GRESB performance and confirmed a concerted effort would be made to improve data collection through tenant negotiations to include data sharing provisions within new lease contracts, and through the pursuit of technological solutions to automate tenant utility data. The Fund's 2022 GRESB scores and data have shown a marked improvement, with the Fund recording the third largest increase in its headline GRESB score of the balanced UK property funds we monitor. The biggest improvements came from the Fund's scores in Energy and GHG with the manager materially increasing data coverage from 16% to 45%.

Reams Asset Management – Unconstrained Bond Fund

Company: Several US-based telecommunications and media companies

Focus of the engagement: Responses to an assortment of questions on governance and social topics ranging from in-depth written responses to, in one instance, no response at all.

Outcome of the engagement: For the entity that did not respond, Reams followed up with another request that was also unsuccessful. However, on the opposite end of the spectrum, another company that Reams followed up with for additional information agreed to an in-depth conference call with senior executives. This call provided significant clarity, particularly in the areas of corporate governance. The company has had a checkered history of insufficient board independence and questionable fiduciary duty to stakeholders. The call helped alleviate or improve on many of the concerns Reams put forward; as such, post-call our internal ESG factor analysis scores, used in our scenario analysis for corporate credits, were improved for the company in question. Their most recent engagement effort addressed climate change issues, although there are not yet any results to share.

Appendix B

Summary of Voting over the Period

The managers in the below table provided details of their voting behaviour and significant votes over the period, in line with the Pensions and Lifetime Savings Association's Vote Reporting Template. Their responses are summarised in the table below, showing the voting statistics for the period 1 July 2022 to 30 June 2023, which broadly aligns with the Scheme's reporting year. The information is sourced directly from the managers unless otherwise stated.

State Street Global Advisors ("SSGA")

	Number of resolutions eligible to vote	% of resolutions voted	% of resolutions voted against management	% of resolutions abstained from
Emerging Markets Equity Index Sub-Fund	34293	97.74	17.52	2.05
Fundamental Index Global Equity Sub-Fund	38091	97.79	8.59	0.97
UK Equity Index Sub-Fund	10096	65.25	8.21	0.06
Asia Pacific ex Japan Equity Index Sub-Fund	3081	100.00	17.36	0.52
Europe (Ex UK) Equity Index Sub-Fund	8855	97.68	11.64	0.38
Japan Equity Index Sub-Fund	5958	100.00	7.15	0.00
North America Equity Index Sub-Fund	8534	99.45	10.47	0.37

Genesis Investment Management

	Number of resolutions eligible to vote	% of resolutions voted	% of resolutions voted against management	% of resolutions abstained from
Genesis Global Emerging Markets Equity	1076	98.51	10.75	2.17

Significant Votes

Below are some significant vote examples as defined by the Scheme's managers. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined below.

In future, we will look to develop our own definition of what constitutes a significant vote to the Scheme.

SSGA

Asia Pacific ex Japan Equity Index Sub-Fund

In October 2022, SSGA voted against a proposal for the election of Kim Seok-min as an Outside Director of Paradise Co, Ltd. SSGA voted against this proposal due to the lack of gender diversity of the board.

In October 2022, SSGA voted against the election of Tim Poole as Director of Reece Limited. SSGA voted against this proposal as the nominee is the senior independent board member and the company has failed to meet SSGA's expectations related to ESG disclosure.

Japan Equity Index Sub-Fund

In June 2023, SSGA voted against the election of Koichi Yamanaka ad Director of JTEKT Corp. SSGA voted against the nominee due to the lack of gender diversity on the board, and as the company has not engaged in successful dialogue on SSGA's board gender diversity program for three consecutive years.

In June 2023, SSGA voted against a proposal to amend articles to establish an investigation committee concerning the aging of Sendai nuclear power reactors at Kyushu Electric Power Co, Inc. SSGA voted against this proposal as they deemed the company's disclosure and/or practices related to nuclear power to be reasonable.

Europe (Ex UK) Equity Index Sub-Fund

In May 2023, SSGA voted against a shareholder proposal requesting H&M (Hennes & Mauritz) to disclose exposure to and risks of sourcing GM cotton, and to set targets to decrease exposure to GM cotton and increase sourcing of organic cotton. SSGA voted against this proposal as they found the company’s disclosures related to genetically modified organisms to be reasonable.

North America Equity Index Sub-Fund

In May 2023, SSGA abstained from a proposal for McDonald’s Corporation to comply with World Health Organization guidelines on antimicrobial use throughout supply chains. SSGA abstained on the proposal as the company's disclosures related to product toxicity and safety are broadly in line with market standard, but could be enhanced.

UK Equity Index Sub-Fund

In March 2023, SSGA voted against the re-election of Andrew Haining as Director of Chrysalis Investments Limited. SSGA voted this way due to the nominee being the senior independent board member, and the company has failed to meet SSGA's expectations related to ESG disclosure.

In May 2023, SSGA voted against the approval of the Remuneration Report for Aston Martin Lagonda Global Holdings Plc. They stated that the item did not merit support, as the company's compensation plans allow for retesting of performance-based awards.

Fundamental Index Global Equity Sub-Fund

In March 2023, SSGA voted against the election of Patrick Soderlund as a director of NEXON Co, Ltd. SSGA voted against the nominee due to the lack of gender diversity on the board and the company has not engaged in successful dialogue on SSGA's board gender diversity program for three consecutive years.

In June 2023, SSGA voted against a proposal to approve the Remuneration Report for Polski Koncern Naftowy. SSGA voted this way as they have concerns with the proposed remuneration structure for senior executives at the company.

Emerging Markets Equity Index Sub-Fund Fund

In February 2023, SSGA voted against the election of Ma Lishan as Director of Sunac China Holdings Ltd. SSGA voted against the nominee due to lack of gender diversity on the board.

Genesis

In August 2022, Genesis voted against the approval of a revision in the Remuneration of M. Anandan as Chairman and Managing Director of Aptus Value Housing Finance India Ltd. Genesis deemed M Anandan's pay quantum excessive and aggressively positioned when compared to Industry peers, there is also a lack of sufficient information to assess the fairness of the proposed pay structure.

In May 2023, Genesis voted against the issuance of Equity or Equity Linked Securities without Pre-emptive Rights for Country Garden Service Holdings Ltd. This is because the aggregate share issuance is greater than 10% of the relevant class of shares for issuance for cash and non-cash consideration and the company has not specified the discount limit.