

Implementation Statement

University Of Southampton Pension and Assurance Scheme for Non-Academic Staff

How voting and engagement policies have been followed

The Scheme invests primarily in pooled funds and, where applicable, delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers. The Scheme's holdings with Artemis and Longview are through segregated mandates and both include an exclusion on the investment in any company significantly involved in the tobacco industry.

The Trustees undertook an initial review of the stewardship and engagement activities of the current asset managers at their 19 July 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.

The Trustees receive annual voting information and engagement policies from the asset managers and their investment advisors, which are reviewed to ensure alignment with the Scheme's policies. This exercise was undertaken in October 2020.

Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of the asset managers are in alignment with the Scheme's stewardship policies. The table below provides an indication of the asset managers' overall voting and engagement activities.

Voting Data

Manager	Artemis	Longview	Newton	Barings
Asset class	Global Equities	Global Equities	Diversified Growth	Diversified Growth
Structure	Segregated	Segregated	Pooled	Pooled
Date of data	31 July 2020	30 June 2020	30 June 2020	26 June 2020
Ability to influence voting behaviour of manager	The segregated mandate allows the Trustees to engage with the manager and influence their voting behaviour.		The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
What % of resolutions did you vote on for which you were eligible?	100%	100%	100%	98%
Of the resolutions on which you voted, what % did you vote with management?	90%	94%	85%	95%
Of the resolutions on which you voted, what % did you vote against management?	10%	6%	15%	5%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	1%	0%	10%	1%

Fund level engagement

Manager	Artemis	Longview	Newton	Barings	M&G	BlackRock	Fidelity	Hermes
Asset class	Global Equities	Global Equities	Diversified Growth	Diversified Growth	Property	Property	Property	Multi-Asset Credit
Date of data	31 July 2020	30 June 2020	30 June 2020	26 June 2020	26 June 2020	26 June 2020	31 March 2020	5 June 2020
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	data not provided	data not provided	No	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	245	4	data not provided	Barings are in the process of implementing a system to track, monitor and report on engagements going forward.	data not provided	data not provided	n/a	76
Number of engagements undertaken at a firm level in the year	2,460	4	90		data not provided	2,840	680	3,096

Manager and Asset Class	Engagement themes and examples of engagements undertaken with holdings in the fund
Artemis Global Equities	<p>Through its cardboard packaging techniques, SIG Combibloc, is helping consumer product companies reduce their use of plastic. Artemis engaged with management to understand the pace of change and whether SIG was promoting change or just protecting their historic position. Encouraged that it was the latter, Artemis resolved to continue to monitor their progress.</p>
Longview Global Equities	<p>Data Centre REIT Digital Realty acquired Intexion and Artemis initially sold their position in the latter. They engaged with the acquirer about why this fit was appropriate and voted against the acquisition. Artemis believed Intexion's assets were superior in quality and that the price paid was unreflective. Following careful monitoring of the early stages of the merger, Artemis were subsequently encouraged by the progress the combined entity was making and, once they held a clearer view of how the new group was operating, bought back a position.</p>
Longview Global Equities	<p>In July 2019, Longview engaged with the Chair of the Remuneration Committee of Whitbread regarding their newly proposed remuneration policy. The Committee believed that their proposed structure best incentivises management to make decisions that benefit the business over the long-term. Longview suggested that the metrics used to calculate rewards exclude international business as this area was relatively young and may act as a disincentive to investment. In September 2019, Whitbread came back with an updated policy that took account of Longview's concerns.</p>
Newton Diversified Growth	<p>In May 2020, Longview wrote a letter to the Chairman of the Board of Directors of Sanofi following the announcement that the company intended to sell most of its equity stake in Regeneron Pharmaceuticals. In this letter, Longview expressed concern surrounding the intended use of the sale proceeds and to promote their use in a value creative manner rather than to drive revenue growth. Subsequent to this letter, Longview spoke with management and Sanofi satisfied Longview's concerns that capital would be allocated appropriately.</p>
Newton Diversified Growth	<p>Newton formulate strategic engagement themes which they discuss with companies and review over a specified time period. These include climate change, gender diversity, healthy markets and fast fashion.</p>
Newton Diversified Growth	<p>Newton also have some companywide exclusions including companies that manufacture or provide the means to manufacture and distribute cluster munitions.</p>
Newton Diversified Growth	<p>In December 2019, the Trustees' switched all holdings from the Newton Real Return Fund to the Newton Sustainable Real Return Fund in order to better reflect their ex-tobacco stance.</p>
BlackRock Property	<p>BlackRock formulate strategic engagement themes which they discuss with companies and review over a specified time period. These include tenant satisfaction, energy and resource efficiency, environmental improvement and occupier health and well-being.</p>
Hermes Multi-Asset Credit	<p>Hermes produce an Engagement Plan. The Plan summarises the long-term outcomes they seek to achieve on behalf of their clients. The Plan is based on clients' long-term objectives and they consult clients regularly and systematically to ensure they are covering the topics of most importance to them. The Plan for 2020-2022 is focused on the 12 major themes below.</p> <ol style="list-style-type: none"> 1. Climate change 2. Natural resource stewardship 3. Pollution waste and circular economy 4. Conduct culture & ethics 5. Human capital management 6. Human and labour rights 7. Risk management 8. Corporate reporting 9. Business purpose and strategy 10. Board effectiveness 11. Executive remuneration 12. Shareholder protection and rights