

Implementation Statement

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

Purpose of this statement

This implementation statement has been produced by the Trustees of the University of Southampton Pension and Assurance Scheme for Non-Academic Staff ("the Scheme") to set out the following information over the year to 31 July 2024:



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.

The voting behaviour is not given over the Scheme year end to 31 July 2024 because investment managers only report on this data quarterly. We have therefore given the information over the year to 30 June 2024.



Conclusions

In reviewing the activities of the past year, the Trustees believe that the policies set out in the Statement of Investment Principles ("SIP") have been effectively implemented. A significant proportion of the Scheme's investment managers have demonstrated transparency in their voting and engagement activities, and the Trustees believe that these activities reasonably align with the stewardship priorities of the Scheme.

We will engage with the various managers over the following topics:

- Encouraging **Newton** to improve the availability and quality of Diversity and Inclusion engagements.
 - Encouraging **Artemis** to improve the availability of their voting data.
- Encouraging **Columbia Threadneedle** to report on engagements at a fund level.
- Encouraging **Schroders** to provide engagement data on the Securitised Credit Fund.

Stewardship policy

The Trustees' SIP in force at 31 July 2024 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities.

The Scheme's stewardship policy was updated over the year in order to incorporate three stewardship priorities that were agreed by the Trustees in July 2023. This has been reflected in the latest version of the SIP, which was updated in October 2023. The latest version has been made available online here:

<https://www.southampton.ac.uk/~assets/doc/finance/pasnas-statement-of-investment-principles.pdf>

The Trustees have established three stewardship priorities in order to implement their stewardship policy. These priorities have been chosen to reflect the best long-term interests of Scheme members. The Trustees have also confirmed that these priorities align closely with the University's values. These three stewardship priorities are:

- Environment and Climate
- Diversity and Inclusion
- Strong Governance and Business Ethics

How voting and engagement policies have been followed

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

- The Trustees regularly consider the performance of the funds held with each investment manager and any significant developments that arise. At the Scheme year-end, the Scheme's investment managers were as follows:
 - Artemis Investment Management ("Artemis")
 - BlackRock Investment Management ("BlackRock")
 - Columbia Threadneedle Investments ("Threadneedle")
 - Federated Hermes Investment Management ("Hermes")
 - Fidelity Investment Management ("Fidelity")
 - M&G Investments ("M&G")
 - Newton Investment Management ("Newton")
 - Northern Trust Corporation ("NT")
 - Schroder Investment Management ("Schroders")
- The Trustees receive regular information from the investment managers on how voting and engagement with investee companies has been undertaken on the Scheme's behalf.
- The Scheme invests solely in pooled funds and, where applicable, delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- The Trustees regularly receive reports on ESG considerations, engagement, and voting from their investment managers, via their investment consultant, and review these to ensure alignment with their own policies.
- The Trustees are satisfied that the Scheme's stewardship priorities are broadly addressed by the investment managers' voting behaviours. However, it is noted that BlackRock, Fidelity and Schroders did not provide engagement examples for the specific funds held by the Scheme.

- Four managers have attended Trustee meetings over the year and they have included a discussion on stewardship and voting as part of their presentations.
- The Trustees are comfortable that the actions of the Scheme's investment managers are in alignment with the Scheme's ESG and stewardship policies.

Prepared by the Trustees of the University of Southampton Pension and Assurance Scheme for Non-Academic Staff

October 2024

Voting data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's portfolio on behalf of the Trustees over the year to 30 June 2024. The LDI, securitised credit and cash funds with Schroders, multi-asset credit fund with Hermes, and property funds with M&G, Fidelity and BlackRock have no, or negligible amounts of, assets with voting rights given the nature of the mandates. Therefore, these funds are not included in the table below.

Manager	Artemis	Northern Trust	Columbia Threadneedle	Newton
Asset class	Global Equities	Global Equities	Diversified Growth	Diversified Growth
Fund name	Global Select	World Green Transition Index	Dynamic Real Return	Sustainable Real Return
Structure	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 behaviour.			
No. of eligible meetings	55	1,199	418	72
No. of eligible votes	902	16,681	6,182	1,016
% of resolutions voted	100.0%	99.3%	98.9%	99.2%
% of resolutions abstained¹	0.4%	0.3%	0.6%	0.0%
% of resolutions voted with management¹	91.0%	94.4%	92.8%	93.8%
% of resolutions voted against management^{1*}	9.0%	5.6%	6.7%	6.3%
% of resolutions voted against proxy voter recommendation	3.0%	1.0%	data not provided	5.8%

Source: information provided by the managers over the year to 30 June 2024.

The proportion of resolutions that were voted on or abstained from may not add up to 100%. This can be due to how investment managers or local jurisdictions define voting and abstentions. Numbers are subject to rounding.

¹As a percentage of the total number of resolutions voted on.

*ISS counts Abstain as a vote against management if the instruction is different from management recommendation.



Proxy voting

A proxy advisor is a company that advises how owners of shares could vote on resolutions at shareholder meetings, and where applicable the proxy advisor can also vote on behalf of the owners of the shares. The below summarises how the investment managers utilise their proxy voting services.

Artemis uses Institutional Shareholder Services' (ISS) electronic voting platform to execute their vote instructions. All voting decisions are made by Artemis.

Northern Trust uses an independent third-party proxy voting service ("Proxy Voting Service") to review proxy proposals and to make voting recommendations to the Proxy Committee in a manner consistent with the Proxy Voting Policy. Northern Trust also uses the ISS electronic voting platform.

Columbia Threadneedle deploy their own specialist corporate governance team on the most complex and sensitive issues, while using the proxy adviser ISS on more straightforward, routine issues. They also use Glass, Lewis & Co. for proxy research services.

Newton does not maintain a voting policy with ISS. They instead utilise an independent voting provider which has Newton's own voting guidelines.



Significant votes

For the year under review, the Trustees made clear to the investment managers what they consider to be the most significant votes i.e. the Scheme's stewardship priorities, in advance of those votes being taken via email.

The investment managers have provided a selection of votes which they consider to be significant. The Trustees have selected a significant vote for each fund relating to each of the Scheme's stewardship priorities, where provided. A summary of the significant votes provided is set out below.

Artemis | Global Select Fund

Based on the fund managers' assessment criteria for determining significant votes, there were none to report for the year ending 30 June 2024.

Northern Trust | World Green Transition Fund

	Vote 1	Vote 2	Vote 3
Company name	Darden Restaurants, Inc.	NIKE, Inc.	Cintas Corporation
Date of vote	20 September 2023	12 September 2023	24 October 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided		
Summary of the resolution	Adopt Greenhouse Gas (GHG) emissions reduction targets aligned with the Paris Agreement Goal.	Report on effectiveness of supply chain management on equity goals and human rights commitments.	Report on effectiveness of diversity, equity, and inclusion efforts.
Stewardship Priority	Environment & Climate	Strong Governance & Business Ethics	Diversity & Inclusion
How the manager voted	Abstain	For	For

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	Northern Trust votes case by case for proposals requesting the adoption of GHG reduction goals from products and operations.	Northern Trust votes case by case for proposals requesting increased disclosure on a company's supply chain policies and processes and its management of related risks.	Northern Trust generally votes for proposals advocating the elimination of workplace discrimination and support for equity and inclusion initiatives.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	Data not provided		
Criteria on which the vote is considered "significant"	Vote against management	Vote against management	Vote against management

Source: information provided by the managers.

Columbia Threadneedle | Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Expeditors International of Washington, Inc.	Eli Lilly and Company
Date of vote	28 February 2024	7 May 2024	6 May 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8%	0.0%	0.6%
Summary of the resolution	Report on median gender/racial pay gap.	Adopt GHG emissions reduction targets aligned with Paris Agreement Goal.	Report on effectiveness of diversity, equity and inclusion efforts.
Stewardship Priority	Diversity & Inclusion	Environment & Climate	Strong Governance & Business Ethics
How the manager voted	For	For	For
Rationale for the voting decision	Threadneedle believe that the proposed enhanced disclosures would help the board and shareholders better assess existing and future risks relating to human capital management.	Threadneedle is supportive of requests to adopt near and long term GHG reduction targets that align with the Paris Agreement.	Threadneedle believe that the company should disclose its demographic workforce data to increase transparency and aid shareholders in assessing the effectiveness of the company's efforts to address human capital risks and opportunities.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of Threadneedle's research and investment process.		
Criteria on which the vote is considered "significant"	Vote against management	Vote against management	Vote against management

Source: information provided by the managers.

Newton Investment Management | BNY Mellon Sustainable Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	The Goldman Sachs Group, Inc.	Amazon.com, Inc.	The Goldman Sachs Group, Inc.
Date of vote	24 April 2024	22 May 2024	24 April 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.9%	1.5%	0.9%
Summary of the resolution	Report on clean energy supply financing ratio.	Commission a third-party audit on working conditions.	Report on pay equity.
Stewardship Priority	Environment & Climate	Strong Governance & Business Ethics	Diversity & Inclusion
How the manager voted	For	For	For
Rationale for the voting decision	Newton supported this shareholder proposal requesting a report on a clean energy supply financing ratio as they believe the ratio will help shareholders assess how the bank is capitalising on clean energy opportunities and aligning itself with the Net Zero by 2050 pathway.	Newton voted for the shareholder proposal requesting a third-party audit on working conditions as they consider it to add value for shareholders at this stage.	Newton supported a shareholder proposal asking for a report on pay equity as the requested adjusted and unadjusted median pay gap statistics may allow shareholders to evaluate and measure the company's progress towards reducing pay inequities more fully.
Outcome of the vote	28.5% For	31% For	30% For
Implications of the outcome	Newton view climate transition as a risk as well as an opportunity. A clean energy financing ratio by banks would provide investors with a more accurate figure to evaluate a fund's alignment with existing sustainable and green financing goals of the bank. Newton will continue to engage with the bank in an attempt to make their climate transition plan more robust.	While Newton do find some merits to the proponent's asks and legitimate concerns, aligning Scope 3 targets at Shell to a 1.5-degree scenario would mean a significant loss of customers to competitors. Newton believes that such a decision is best in the hands of management, and the disclosure of a partial Scope 3 target shows some responsiveness from the company to their concerns, tackling mainly the emissions it directly has control of.	The requested adjusted and unadjusted median pay gap statistics should help Newton measure the company's progress towards reducing pay inequities. This proposal should also help Newton assess if pay inequity on top of unequal access to opportunity, might be one of the reasons that they have seen recent departures of senior female leaders from the bank.

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered “significant”	The vote is considered significant due to the rarity of a shareholder proposal receiving significant support.	Newton consider the issue of working conditions material to the company, and the conclusion of an audit would help the board understand potential shortcomings and respond adequately to shareholder concerns.	The vote is considered significant owing to the rarity of a shareholder proposal receiving significant support.

Source: information provided by the managers.



The investment managers may engage with their investee companies on behalf of the Trustees. The table overleaf provides a summary of the engagement activities undertaken by each of the relevant managers during the year to 30 June 2024.

Engagement activities are limited for the Scheme’s LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets has not been shown.

Schroders did not provide any engagement information for the Securitised Credit Pooled Fund.

Manager	Artemis	Northern Trust	Newton	Columbia Threadneedle	Federated Hermes		M&G	BlackRock	Fidelity	Schroders
Fund name	Global Select	World Green Transition	Sustainable Real Return	Dynamic Real Return	Multi Strategy Credit	Unconstrained Credit Fund	Secured Property Income	UK Property	UK Real Estate	Securitised credit
Asset Class	Global Equity	Global Equity	Diversified Growth	Diversified Growth	Multi-asset Credit		Property	Property	Property	Credit
Number of engagements undertaken on behalf of the holdings in this fund in the year	7	1,977	16	Data not provided	888	972	43	Data not provided	Data not provided	Data not provided
Number of entities engaged on behalf of the holdings in this fund in the year	7	418	9	Data not provided	158	174	29	Data not provided	Data not provided	Data not provided
Number of engagements undertaken at a firm level in the year	62*	4,505**	37	1,424**	4,185	4,185	408	3,768**	1,088	6,724**

Source: respective investment managers.

*Artemis have only been able to provide firm level engagement from Oct 23 to June 24, following the implementation of an internal Engagement Reporting template in October 2023.

**Northern Trust, Columbia Threadneedle, BlackRock and Schroders only provide engagement data over the year to 31 December 2023.



Examples of engagement activity undertaken over the year to 30 June 2024

Artemis

Inchcape

Inchcape is a distributor for automobile manufacturers. The company is looking to work with traditional automobile manufacturers along with newer electric vehicle (EV) brands.

Artemis met with Inchcape's Head of Sustainability to discuss their sustainability strategy and the company's role in the EV transition. Inchcape has signed partnerships with brands including BYD and Great Wall to ensure they are able to support consumers as they move towards EVs.

Artemis also participated in a survey of stakeholders which will form the basis of their ongoing engagement in 2024.

Northern Trust

Nestle

A group of institutional investors co-filed a shareholder resolution at Nestle's 2024 Annual General Meeting (AGM), which requested the company to produce an annual report containing social key performance indicators, including a more stretching target on healthy food sales.

In the second quarter of 2024, Northern Trust engaged with Nestle ahead of the AGM to understand their response to criticism of their healthy products sales targets and transparency over their healthy food classification systems. They also wanted to understand Nestle's position with regards to their product portfolio against a backdrop of sugar taxes and the rise of anti-obesity drugs.

Following discussions with Nestle, Northern Trust voted against the shareholder resolution due to concerns that Nestle were the only member of their industry to be targeted with a binding shareholder resolution that could put them at a competitive disadvantage. The shareholder resolution did not pass, only receiving 11% support.

Newton

Shell Plc

While Newton recognise the importance of conventional fuels, they feel it is imperative for large oil and gas companies to demonstrate how and where they can invest in clean energy alternatives in order to establish credibility for transition plans. Scope 3 is the largest source of emissions for the company and Newton believe that the absence of an absolute Scope 3 reduction target raises questions over Shell's transition plan.

Newton have continuously reiterated to Shell that a Scope 3 plan would help investors assess the credibility of its climate transition plan and align itself with some of its EU peers. Newton acknowledges that rushing to set a Scope 3 target is not credible and that there is little buy-in internally from Shell. However, Shell is looking into a near zero methane target as well as expanding on biofuels and looking at their transport sector and value chain to cut emissions.

Newton will monitor announcements at Shell's ESG day and a shareholders' resolution regarding the climate transition plan may be submitted to shareholders at the 2024 AGM.

Columbia Threadneedle

Unilever

As one of the world's largest consumer goods companies, Unilever is established across 190 countries in 4.4 million retail stores. At the company's AGM, 68% of shareholders opposed the company's remuneration report. This was primarily down to the salary of the incoming CEO being set at a higher level than his predecessor.

At the AGM, Columbia Threadneedle abstained on the remuneration vote and sought to change the company's approach through subsequent engagement. During these discussions, the company listened to investor concerns and acted by freezing the CEO's salary for two years. Unilever has highlighted creating luxury groups to increase brand reputation and are creating more incentive based schemes.

Columbia Threadneedle also discussed sustainability measures including Net Zero and living wage. These will be integral parts for the strategy and long-term performance of Unilever.

Columbia Threadneedle welcomes these changes made by Unilever to address shareholder concerns. However, the robustness of the performance conditions attached to these schemes will be monitored to ensure support at future AGMs.

Hermes

Cleveland-Cliffs

Cleveland-Cliffs was an iron ore mining company that has reinvented itself as an integrated steel company – the largest flat rolled steel and iron ore pellet producer in North America. The company is now in a phase of integrating new companies and assets which includes a new focus on sustainability. With steel being an essential economic material and its production being responsible for 7% of global greenhouse emissions (GHG), in 2021, Cleveland-Cliffs has targeted to reduce its GHG emissions by 25% by 2030.

Hermes engaged with Cleveland-Cliffs to understand how this might be delivered. Cleveland-Cliffs' main answer is to change the way it produces its steel at their new \$1bn facility in Toledo. However, other plans to reduce emissions in other areas such as renewables, energy efficiency and carbon capture are relatively underdeveloped. Hermes has encouraged the company to be proactive in seeking partners to accelerate low-carbon innovations to a similar level to others in the industry.

M&G

Ball Corporation

As part of a wider discussion focused on aluminium packaging specialist Ball Corp's use of factoring, M&G used the opportunity to ensure the company was not being negatively impacted as a result of the situation in Israel, particularly relating to operations and potential boycott of customer products.

Following a meeting with Ball Corp's investor relations team, the company confirmed it has no operations within Israel and relayed that the situation had not been a driver of business within its customer base. It was also unaware of threats of boycott. M&G continue to monitor the situation.

Fidelity

Reading, 200 Berkshire Place

Fidelity send out an ESG questionnaire to all their tenants annually and actively try to aim for a Net Zero Carbon Pathway. One example is 200 Berkshire Place where they installed solar panels on top of an office building for the commercial tenants to use. Part of the capital was paid by the tenants as they were incentivised with lower energy rates and carbon free energy. The solar panels will supply 5% of the building's electricity and save over £6,700 per year, as well as reducing fossil fuels usage and energy bills.

BlackRock

BlackRock failed to provide engagement examples at a fund level for this period. However, their main engagement topics have remained broadly consistent throughout the year to 30 June 2024. They include the following:

- Board quality and effectiveness
- Climate and natural capital
- Strategy, purpose and financial resilience
- Incentives aligned with financial value creation
- Company impacts on people

Schroders

Schroders failed to provide engagement examples at a fund level for this period. However, they did provide some firm wide level engagement. An example of firm wide engagement included identifying human capital management as a priority issue for engagement, noting that they believe that people in an organisation are a significant source of competitive advantage, and that effective human capital management is essential to drive innovation and long-term value creation.

Source: respective investment managers