

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 2023:

- How the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- 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 2023 because investment managers only report on this data quarterly, we have therefore given the information over the year to 30 June 2023.

Stewardship policy

The Trustees’ Statement of Investment Principles (“SIP”) in force at 31 July 2023 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 post accounting year-end 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 own 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 its 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 this to ensure alignment with their own policies.
 - The Trustees are satisfied that the Scheme’s stewardship priorities are addressed by the investment managers’ voting behaviours. However, it is noted that Newton failed to provide an example of a significant vote on the topic of Environment & Climate, while Blackrock, Fidelity and Schroders did not provide engagement examples for the specific funds held by the Scheme.
 - 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 2023

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 2023.

Manager	Artemis	Northern Trust	Columbia Threadneedle	Newton
Asset class	Global Equities	Global Equities	Diversified Growth	Diversified Growth
Structure	Pooled	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 behaviour.			
No. of eligible meetings	51	922	312	106
No. of eligible votes	845	13,881	4,532	1,507
% of resolutions voted	100.0%	98.0%	99.6%	98.9%
% of resolutions abstained¹	0.0%	0.0%	1.5%	0.1%
% of resolutions voted with management¹	92.0%	93.0%	88.8%	93.0%
% of resolutions voted against management^{1*}	7.0%	6.0%	9.6%	7.0%
Proxy voting advisor employed	Artemis have their own voting policy and use the proxy adviser International Shareholder Service ("ISS") to implement this policy.	ISS	Threadneedle have their own proxy voting policy and they use the proxy adviser ISS to implement this policy. Threadneedle also subscribe to research from Institutional Voting Information Service (IVIS) on FTSE All-Share companies.	ISS
% of resolutions voted against proxy voter recommendation	n/a	0.0%	n/a	3.2%

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.

There are no voting rights attached to the other assets held by the Scheme, which includes the LDI, liquidity, credit and property funds.

Significant votes

For the year under review, the Trustees have delegated the assessment of what constitutes a "significant vote" to the Scheme's investment managers. The Trustees have since informed the investment managers of their stewardship priorities by email, which reflect the votes which the Trustees consider to be the most significant.

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. None of the significant vote examples provided by Newton addressed the issue of Environment and Climate, therefore, only two significant votes have been displayed for this fund. 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 2023.

Northern Trust | World Green Transition Fund

	Vote 1	Vote 2	Vote 3
Company name	Westpac Banking Corp.	NVIDIA Corporation	Microsoft Corporation
Date of vote	14 December 2022	22 June 2023	13 December 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided	3.0%	Data not provided
Summary of the resolution	Approve Climate Risk Safeguarding	Elect Director Stephen C. Neal	Report on Development of Products for Military
Stewardship Priority	Environment & Climate	Diversity & Inclusion	Strong Governance & Business Ethics
How the manager voted	For	Against	For

Rationale for the voting decision

Northern Trust generally votes for proposals that request a report or assessment of the impact of climate change on a company's operations and and/or initiatives to curtail the risks, unless sufficient information has been disclosed to shareholders.

As per Northern Trust policy, US listed companies must have at least 25% female representation on the board. In reviewing the NVIDIA board profile, it looked like female representation was below the 25% threshold at 23%. Therefore, Northern Trust targeted Stephen Neal, who sits as the Chair of the Nominating Committee, with the following custom rationale: "Northern Trust may vote against the Chair of the Nominating Committee where we have concerns relating to the composition and gender diversity of the board."

Northern Trust generally votes for proposals that request a report or assessment of the safety of a company's operations and a company's products and services and efforts to promote their safe use.

	Vote 1	Vote 2	Vote 3
Outcome of the vote	Withdrawn	Pass	Fail
Implications of the outcome	Data not provided	Data not provided	Data not provided
Criteria on which the vote is considered "significant"	Vote against management	Data not provided	Vote against management

Columbia Threadneedle | Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Shell PLC	United Parcel Services, Inc.	Alphabet Inc.
Date of vote	23 May 2023	4 May 2023	2 June 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.7%	0.1%	0.5%
Summary of the resolution	Approve the Shell Energy Transition Progress	Report on Effectiveness of Diversity, Equity and Inclusion Efforts	Publish Independent Human Rights Impact Assessment of Targeted Advertising Technology
Stewardship Priority	Environment & Climate	Diversity & Inclusion	Strong Governance & Business Ethics
How the manager voted	Abstain	For	For
Rationale for the voting decision	Whilst Threadneedle appreciate the progress made by Shell PLC, they felt abstaining was the best option to recognise this progress whilst retaining their position that they would prefer to see greater movements towards full Paris alignment in coming years.	The company should disclose its demographic workforce data as per the EEO-1 requirement. This will help to increase transparency and aid shareholders in assessing the effectiveness of the company's stated efforts to address related human capital material risks and opportunities.	The company faces risks related to human rights in its global operations. Good practice includes developing a clear human rights policy or code of practice, along with a narrative on how impacts are monitored and effectively mitigated.
Outcome of the vote	Pass	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	Data not provided	Data not provided

Newton Investment Management | BNY Mellon Sustainable Real Return Fund

	Vote 1	Vote 2
Company name	NextEra Energy, Inc.	CME Group Inc.
Date of vote	4 May 2023	4 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%	0.7%
Summary of the resolution	Disclose Board Skills and Diversity Matrix	Elect Director Timothy S. Bitsberger
Stewardship Priority	Diversity & Inclusion	Strong Governance & Business Ethics
How the manager voted	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	n/a	No
Rationale for the voting decision	Newton supported this shareholder proposal requesting the disclosure of a board skills and diversity matrix as they believed it would help shareholders to assess how the company is managing related risks.	Newton voted against the re-election of the members of the compensation committee in line with their voting recommendation on executive remuneration arrangements. Further, in their opinion, the company did not exhibit adequate responsiveness to last year's significant shareholder dissent on executive pay.
Outcome of the vote	48.9% For	30.3% Against
Implications of the outcome	The high level of support shows that the issue is significant to shareholders, and it is expected that the company considers that a significant shareholder base would want to see the implementation of a board skill and diversity matrix.	This is the second consecutive year when the underlying say-on-pay proposal has not been approved by shareholders, which is a clear indication of consistent shareholder dissatisfaction with the pay practices at the company. Newton expect the company to reach out to shareholders to seek input for improvements.
Criteria on which the vote is considered "significant"	The vote is considered significant due to the materiality of the issue at hand and the level of support for the proposal.	The level of shareholder dissent against the compensation committee director but also the underlying say-on-pay proposal merits this vote as significant.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees. The tables below provide a summary of the engagement activities undertaken by each of the relevant managers during the year to 30 June 2023.

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	Blackrock
Fund name	Global Select	World Green Transition	Sustainable Real Return	Dynamic Real Return	UK Property
Asset Class	Global Equity	Global Equity	Diversified Growth	Diversified Growth	Property
Does the manager perform engagement on behalf of the holdings of the fund?	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	148*	2,575	38	Data not provided	Data not provided
Number of entities engaged on behalf of the holdings in this fund in the year	132*	742	26	Data not provided	Data not provided
Number of engagements undertaken at a firm level in the year	1,515*	Data not provided	187	992	4,000

*The figures provided by Artemis reflect the total number of meetings with companies. Artemis do not currently break down specific engagement statistics, however work on this is in progress.

Manager	Fidelity	M&G	Hermes
Fund name	UK Real Estate	Secured Property Income Fund	Multi Strategy Credit Fund
Asset Class	Property	Property	Multi-Asset Credit
Does the manager perform engagement on behalf of the holdings of the fund?	No	No	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	No	No	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	Data not provided	Data not provided	582
Number of entities engaged on behalf of the holdings in this fund in the year	Data not provided	Data not provided	102
Number of engagements undertaken at a firm level in the year	2,118**	218	4,304

**Fidelity only provide their engagement data over the year to 31 December 2022.

Examples of engagement activity over the year to 30 June 2023

Manager and Asset Class	Stewardship Priority	Engagement themes and examples of engagements undertaken with holdings in the fund
<p>Artemis Global Equities</p>	<p>Strong Governance & Business Ethics</p>	<p>Proctor & Gamble</p> <p>P&G is a multinational consumer goods company. Artemis contacted the Investor Relations team to get an update on the reported human rights issues regarding its palm oil supplier, FGV.</p> <p>Artemis were informed that they were no longer accepting any product from this supplier until they were certified that their palm oil was responsibly sourced. They are working with them to improve their processes and gain certification.</p> <p>P&G are also working with their other suppliers to improve processes and reported that all their other suppliers are RSPO certified. Artemis felt that this was a satisfactory response and continued to hold shares.</p>
<p>Newton Diversified Growth</p>	<p>Environment & Climate</p>	<p>Barclays</p> <p>Barclays has considerable exposure to the fossil fuel industry. Therefore, monitoring and encouraging the bank to strengthen its climate transition plan is important to ensure that the bank remains on track to achieve its emission reduction targets. Newton had a follow-up call to discuss the bank's updated climate transition plan disclosures made in its 2022 annual report.</p> <p>This engagement was part of an ongoing engagement Newton have had with Barclays over the past couple of years. On the bank's client transition framework of 150 clients, 80% have implemented climate targets. Barclays is due to disclose its client transition framework this year and Newton are pleased to see movement on this as they have been asking the bank to provide this for some time.</p> <p>Newton are continuing to monitor the bank's reporting on its client transition framework and will assess the progress vs. current sectoral targets disclosed by the bank.</p>
<p>Hermes Multi-Asset Credit</p>	<p>Diversity & Inclusion</p>	<p>ING Groep</p> <p>In the first part of a broad engagement, Hermes discussed market conditions, human capital management and gender diversity.</p>

The bank tends to 'score well' on culture, work-life balance and career opportunities, and believes it has retention strengths in the competitive environment. Hermes asked about its targets for gender diversity management, learning that it has now set a 30% goal for women in the top 350 managers by 2025, which it sees as a 'guidepost' rather than an 'end goal'.

The bank is now conducting gender pay gap analysis for all markets which will inform its actions for closing the gap and building a strategy which ensures this shrinks or does not recur over time. Hermes provided feedback that a peer's €100m commitment to close this gap between women and men in management was a great start, but that it must now structurally evolve human capital management practices to remove bias and divergence that typically occurs after maternity breaks for women. Hermes will revisit this and ask for more detail on its diversity approach beyond gender in a future engagement.

Northern Trust
Global Equities

Environment & Climate

Reliance Industries

Oil and gas production and refining is a carbon intensive business. Integrated oil and gas companies are among the major emitters of Green House Gases (GHGs) throughout the value chain of oil and gas including production and refining, as well as use of final products. Sectors with high levels of emissions, such as integrated oil and gas, are under pressure to adopt net zero carbon commitments. The company has announced its net zero targets but only for direct operations and it doesn't include indirect (Scope 3) emissions which would contribute a substantial portion of overall emissions.

NT engaged with the company to discuss the decarbonization strategy. NT recommended the company be more transparent about the roadmap to achieve its reported targets and report on short-term and medium-term carbon reduction targets. NT highlighted that the company lacks transparency on Scope 3 emissions reporting especially category 11 (use of sold products). To achieve the net zero targets, the company needs to include its indirect emissions as well.

The company accepted the feedback and agreed to measure and report on Scope 3 emissions in future. Further, the company responded to NT that it would be more transparent about its carbon reduction targets including the operations which are under its

influence. The company will also evaluate and report on the role of offsets to achieve its decarbonization related targets.

M&G
Property

Environment & Climate

Atlas Hotels

M&G engaged with their tenants, Atlas Hotels, with whom they share mutual ESG aspirations. M&G's engagement has focused on energy usage reduction and waste reduction, along with establishing the possibility of implementing portfolio-wide electric vehicle (EV) charging.

M&G have also worked with Atlas Hotel's ESG team and general managers to consider Community Funding opportunities. However, the hotel has a nationwide approach to community engagement.

Fidelity
Property

Strong Governance & Business Ethics

Tokyo Stock Exchange

Fidelity provided engagement examples at a firm level.

Fidelity undertook two engagements with the Tokyo Stock Exchange (TSE) in 2022 to push for rule-based changes for listed companies such that they act better in the interests of shareholders.

Fidelity highlighted the consistently high proportion of TOPIC companies trading below price-to-book-value (P/B) ratios of 1x over the last decade. Fidelity attributed this to the lack of revision to the constituents, thereby stifling corporate value creation, as evidenced by older companies tending to perform worse; likely due to complacency.

Fidelity's suggestions for improvement included requiring companies that continuously trade below P/B ratios of 1x to disclose improvement plans and where there was no material progress, they should be considered for removal from the Prime section.

In January 2023, the TSE announced their "Future Actions in Response" to the main issues identified by the Follow-Up Council. This included mandating companies trading below P/B ratios of 1x to disclose an analysis of the current situation and an improvement plan with subsequent follow-ups.

Fidelity believe that this engagement serves to promote the role of constructive dialogue between management and investors to increase long-term corporate value.

Columbia Threadneedle
Diversified Growth

Environment & Climate

The Home Depot

Columbia Threadneedle wanted to better understand Home Depot's sourcing commitments and encourage their further development.

A video call was made with the Vice President of Sustainability and several portfolio managers to better understand the company's disclosures. Management heard Columbia Threadneedle's views on the need for continuous improvement in policies and disclosure on wood sourcing.

The company does have granular information on the origin and certification of its wood products, which it will disclose. The company has also committed to respond to the CDP Forest's questionnaire. Additionally, Home Depot's wood sourcing policy will be expanded to a wider range of at-risk forest regions, including those where it does not source-to avoid ambiguity.

Columbia Threadneedle will review Home Depot's progress and updated disclosures next year.