

# Students' Union Superannuation Scheme

## Statement of Investment Principles

Date prepared: August 2020

Date signed: September 2020

# Contents

1.	Introduction .....	3
2.	Choosing investments .....	3
3.	Investment objectives .....	3
4.	Kinds of investments to be held .....	4
5.	The balance between different kinds of investments .....	4
6.	Risks.....	4
7.	Expected return on investments.....	6
8.	Realisation of investments.....	6
9.	Financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities.....	6
10.	Policy on arrangements with assets managers .....	7
11.	Agreement .....	8
	Appendix 1 Policy on financially material considerations.....	9

# 1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Students' Union Superannuation Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
  - ) the Pensions Act 1995, as amended by the Pensions Act 2004;
  - ) the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
  - ) the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
  - ) the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted The National Union of Students of the United Kingdom, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause 6 of the Definitive Trust Deed & Rules, dated 31 March 2008. This statement is consistent with those powers.

# 2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Scheme's Statement of Investment Strategy. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

# 3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are :

- J “funding objective” – to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employers;
  - J “security objective” – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustees will take into account the strength of the Employers’ covenant when determining the expected improvement in the solvency position of the Scheme; and
  - J “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy;
- 3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme’s liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme’s objectives as best as possible. In particular, the Trustees have expressed a desire to reduce the level of investment risk within the Scheme as and when the funding position of the Scheme permits.

## 4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme’s auditors.

## 5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme’s objectives. The allocation between different asset classes is contained within the Scheme’s Statement of Investment Strategy.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Scheme’s Statement of Investment Strategy.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme’s asset allocation will be expected to change as the Scheme’s liability profile matures.

## 6. Risks

- 6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme’s liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The funding position is kept under review on a quarterly basis. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employers and the size of the pension liability relative to the Employers' earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employers' covenant. Risks associated with changes in the Employers' covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the Employers to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring Employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issue by the Pensions Regulator and Employer-related Notifiable Events. On receipt of such notification, the Trustees will reconsider the continued appropriateness of the Scheme's existing investment strategy.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in the Scheme's Statement of Investment Strategy and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement contained within the Scheme's Accounts.
ESG/Climate risk	The Trustees have considered the long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to help manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

## 7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate in order to review performance.

## 8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

## 9. Financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 1.

## 10. Policy on arrangements with assets managers

### Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

### Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

### Method and time horizon for assessing performance

- 10.9. The Trustees monitor the performance of their investment managers over medium to long-term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. The Scheme invests predominantly in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful

investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

- 10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. The Trustees ask the Scheme’s investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

### Portfolio turnover costs

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

### Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Scheme’s asset allocation and its ongoing alignment with the Trustees’ investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.
- 10.17. For closed ended funds, the Scheme reviews the appointment with the investment manager as the manager releases new iterations of the funds (which the Trustees may consider further investment into) and at, or just prior to, maturity of the closed-ended fund.

## 11. Agreement

- 11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

**Signed:**.....

**Date:**.....

**On behalf of the Students’ Union Superannuation Scheme**



# Appendix 1

## Note on financially material considerations, the exercise of rights and engagement activities, and non-financial matters

### Policy on financially material considerations

The Trustees believe that Environmental, Social and Governance (“ESG”) factors, including but not limited climate change, are financially material for the Scheme over the length of time in which the Scheme will be required to make benefit payments to members. This is likely to be no less than five years from the date of this Statement of Investment Principles.

The Trustees have received training from their investment consultant on ESG factors. The Trustees considered the research findings presented at this training to form their views on the financial materiality of ESG factors as they apply to the Scheme’s current investments.

The Trustees have elected to invest the Scheme's assets predominantly in pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

**Selection of investments:** The Trustees will assess the investment managers' ESG integration credentials and capabilities, including stewardship, as part of the manager selection process for appointing any new investment manager or investment fund.

**Retention of investments:** The Trustees will monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

**Realisation of investments:** The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments from time to time.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- )] The Trustees will obtain ad-hoc training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- )] As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- )] Through their investment consultant, the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an ad-hoc basis.

## Replacing funds and managers

If any significant ESG integration related issues are identified with any of the investment managers, the Trustees may choose to replace them. However, as per the appointment of funds and managers, the investment manager's shortcomings in this area will not necessarily be seen as sufficient reason for replacement and will not necessarily take precedence over consideration of other factors.

The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes. A summary of the Trustees' view for each asset class in which the Scheme invests is outlined below:

### Passive equities

The Trustees believe that ESG issues have the potential to be financially material to the risk-adjusted returns achieved by the Scheme's passive equities.

The Trustees accept that the fund manager must invest in line with the specified index and, therefore, may not be able to disinvest even if they have concerns relating to ESG. The Trustees therefore require that the fund managers take into account ESG considerations by engaging with companies and by exercising voting rights. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Scheme's current passive equity manager, LGIM, is a large and long-term investor, and engages with companies (including those in the indices that the Scheme invests in) on matters including wider ESG factors and climate change on a regular basis.

The Trustees have elected to invest the Scheme's passive equity portfolio in LGIM's Future World range of funds, which track ESG-tilted indices provided by Solactive.

### LDI and cash funds

The Trustees does not believe there is significant scope for ESG issues to improve risk-adjusted returns within the Scheme's LDI and cash holdings.

### Actively managed funds

The Trustees believe that ESG factors have the potential to be financially material to the risk-adjusted returns achieved by the Scheme's active holdings. The managers are expected to therefore consider all financially material considerations, including but not limited to ESG factors, when managing the funds.

## Non-financially material considerations

The Trustee does not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

However, the Trustee does expect its investment managers to select investments that would have a beneficial impact on each of the above factors, all other considerations being equal.

## Policy on the exercising of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expects that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. A summary of each investment manager's engagement and key votes will be summarised in their annual Implementation Statement contained within the Scheme's Accounts. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

The Scheme's managers are all signatories to the UK Stewardship Code or equivalent. The sole exception to this are Partners Group, who are not a signatory to the UK Stewardship Code, but do have policies in place that serve a similar purpose and we view as appropriate to the markets in which they invest.

## Policy on Stewardship and engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee, investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

# Implementation Statement

## Students' Union Superannuation Scheme

### Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustees of the Students' Union Superannuation Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 30 June 2020.

### How voting and engagement policies have been followed

- The Scheme invests almost entirely in pooled funds, and, as such, delegates' responsibility for carrying out voting and engagement activities to the Scheme's fund managers on the majority of their investments. The sole exception to this is the Ruffer Target Return Portfolio, which is segregated. Although the portfolio is segregated, the Trustees also delegate responsibility for carrying out voting and engagement activities to Ruffer regarding the investee companies within the portfolio.
- The Trustees undertook an initial review of the stewardship and engagement activities of the current asset managers at their 10 June 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.
- Annually, the Trustees receive and review voting information and engagement policies from both the asset managers and our investment advisors, which we review to ensure alignment with our own policies as set out in the Statement of Investment Principles. This exercise was undertaken in November 2020 in respect to the asset managers voting behaviours over the year to June 2020. Furthermore, as an extension to this exercise from 2021 the Trustees will also receive annual reports which will include details on each investment managers stewardship and ESG (Environmental, Social and Governance) policies.

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. No asset managers have attended Trustees meetings over the year.

### Appointment of new managers

The Trustees appointed Baillie Gifford as a new manager for a diversified growth fund mandate over the year and stewardship and voting policies were considered as part of the manager selection exercise, alongside all other material factors. The new manager is rated high conviction by our investment advisors for stewardship and voting, which means they provide transparent and clear reporting in voting and engagement activities. The Trustees are comfortable that the manager is suitable across all criteria considered.

The Trustees have also appointed the Partners Long-Term Entrepreneurial Ownership Fund over the year. As this Fund invests in private markets, there is no voting on publicly held shares in this Fund.

The Trustees also made the decision to restructure their passive equity portfolio held with LGIM over the year. LGIM is rated high conviction by our investment advisors for stewardship and voting, which means they provide transparent and clear reporting in voting and engagement activities. The Trustees are comfortable with retaining LGIM as the passive equity manager for the Scheme.

## Voting Data (over a one year period ending on 30 June 2020)

The voting data collated for Scheme is given over the year to 30 June 2020.

Legal & General and Barings have provided their figures on a firm wide level and Partners and Ruffer have provided fund specific figures.

Manager	Legal & General	Barings	Ruffer	Partners Group
<b>Fund name</b>	Passive equity funds	Dynamic Asset Allocation Fund	Target Return portfolio	Partners Fund
<b>Structure</b>	Pooled	Pooled	Segregated	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	The segregated mandate means the Trustees may 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.
<b>Number of resolutions the manager was eligible to vote at over the year</b>	59,858	6,520	564	1196
<b>Percentage of resolutions the manager voted on</b>	99.4%	96.3%	84.4%	98%
<b>Percentage of resolutions the manager abstained from</b>	0.6%	3.7%	0.9%	2%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	82.5%	90.5%	86.1%	93%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	17.5%	5.8%	13.9%	5%
<b>Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor</b>	<i>Data not provided (please see the below paragraph for an explanation of the use of proxy voting services)</i>		0%	14%

Legal & General and Ruffer employ the use of Institutional Shareholder Services (ISS) as a proxy voting service.

Legal & General have stated that they only employ this proxy voting advisor for research purposes, and therefore do not keep a record of when they vote against the advice of these advisors because they maintain their own custom voting policy.

Barings did not provide any information on their use of a proxy voting advisor.

There are no voting rights attached to the other assets held by the Scheme, multi asset credit, global asset backed securities, and liability driven investments.

## Significant votes

This is the Scheme's first implementation statement and at this point in time, the Trustees have delegated to the investment managers to define what a "significant vote" is.

A summary of the key voting action the managers have provided is set out below.

It should be noted that LGIM only began to define what a "significant vote" was in the second quarter of 2020 (this is highlighted in the below table). Therefore any information provided in this statement relating to earlier periods reflects voting policies announced by LGIM in the relevant period as opposed to what they have labelled "significant" votes.

Manager	Key voting action over the year
<p><b>LGIM Funds:</b></p> <p>LGIM Passive Global Equity Funds</p>	<p>From 1 January 2020 LGIM announced that they would be voting against the largest 100 companies in the S&amp;P500 Index that have less than 25% women on the board, and have announced that they will strengthen this policy to include all companies in the S&amp;P500 from 2021.</p> <p>LGIM announced their decision to vote against all companies where the Board chair also acts as CEO from 1 January 2020 (excluding Japan due to unique structure).</p> <p>LGIM announced their decision to vote against all companies in the Japanese large-cap TOPIX 100 Index that do not have at least one female board member. This policy also took effect from 1 January 2020.</p> <p>Ahead of the 2019 Metro Bank annual general meeting, LGIM publicly pre-announced their intention to vote against the board chair, members of the audit committee, and directors over whom they had independence concerns.</p> <p>LGIM have also signed up to a climate impact pledge under which they divest from companies that do not meet their requirements following a period of engagement. Over 2019, this involved LGIM taking action against 11 companies.</p> <p>LGIM co-filed their first ever shareholder resolution over the year to 31 March 2020. LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. Following the success of this resolution BP announced it will become a 'net zero greenhouse gas emissions' company by 2050.</p>

**Legal & General began defining "significant votes" from 1 April 2020 onwards**



---

At the end of March, Barclays PLC published its ESG report and issued a statement outlining the target of aligning the entire business to the goals of the Paris Agreement. LGIM endorsed this proposal at the May 2020 Annual General Meeting (AGM).

A proposal was put forward by a shareholder to the AGM of Lagardère to remove all incumbent directors and appoint eight proposed new directors to the supervisory board. This was due to the managing partner of the limited partnership structure having “too tight a grip” on the company despite only having a small amount of the share capital and voting rights. When this type of proposal is taken to an AGM, LGIM engages with both the shareholder who initiated the proposal and the company to understand both perspectives. LGIM voted in favour of five out of eight of the shareholders’ proposed new directors. LGIM notes this as a significant vote due to the significant media and public interest of this issue.

LGIM’s ESG Active View tool raised red flags about Wirecard’s governance, in particular accounting irregularities. In LGIM’s view the company management’s responses to the accounting allegations were considered unsatisfactory, with some of the responses even more concerning than the allegations themselves. Given these concerns, at the company’s 2019 AGM, LGIM cast a vote of no confidence. On the 25 June 2020 the company filed for insolvency after admitting the €1.9 billion of cash on its balance sheet did not exist, the CEO at the time of the fraud was subsequently arrested. LGIM notes this as a significant vote now given the implications of the scandal during the second quarter of 2020.

---

### Climate change

ExxonMobil is a multinational oil and gas company. Ruffer stressed that they would like ExxonMobil to further align its strategy with the goals of the Paris Agreement, and suggested that the company join the Energy Transition Commission. There has been limited progress on this since the 2019 AGM. Ruffer therefore decided to vote against the re-election of all non-executive directors because they believed the current directors were not representing the best interests of shareholders owing to the slow progress of the engagement with the Climate Action 100+ initiative.

### Ruffer Segregated Target Return Fund

### Remunerations policies and reports

Ruffer voted against the upcoming remunerations policy changes of Sophos (a cyber-security company operating in Europe). Following a period of engagement on the upcoming policy change, specifically around the time horizon of long-term incentives and the way the company selects its peers and chooses its performance measures, no changes were made by Sophos.

Lloyds Banking Group proposed a new remuneration policy. Ruffer decided to vote against the proposed remuneration policy as, although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting

criteria. Therefore, Ruffer did not think it incentivised management to deliver shareholder value.

### Non-executive directors, board structure and independence

Ruffer spoke with Mitsubishi electric ahead of its 2020 AGM to discuss measures taken over recent years to improve its labour practices. Ruffer were encouraged by the steps the company has taken. However, there were still concerns over Mr. Oyamada who sits as an independent director. Ruffer do not believe Mr. Oyamada is independent given he is a senior advisor to the MUFG bank which holds shares in Mitsubishi Electric. Ruffer communicated these concerns and voted against his re-election.

Ruffer voted against the re-election of the Chair of the Board of Ocado because Ruffer are not comfortable with the board structure and believe the company is slow to rectify the situation. In particular, Ruffer do not believe there are a sufficient number of independent directors on the board.

### Political contributions, lobbying payments and policies

At ExxonMobil's AGM Ruffer supported a shareholder resolution, voting against management, to request additional disclosure of the company's lobbying-related expenditures and board-level oversight of this spending.

Data on significant votes was requested from Barings and Partners. However, this has not been provided in a usable format. The Trustees' investment advisors are liaising with the asset managers to improve the delivery of this data in future, and we understand that the asset managers are working to improve their disclosures on significant votes.

## Fund level engagement

The asset managers may engage with their investee companies on behalf of investors in the funds, which includes the Trustees. The reasons for each asset manager engaging with investee companies will vary across each individual manager. They may engage in order to question companies on their environmental, social and governance considerations, such as LGIM with BP in the significant votes section of this statement.

The table below provides a summary of the engagement activities undertaken by each asset manager during the year for the relevant funds.

Please note these figures relate to the year ended 31 March 2020 as the asset managers have not yet prepared this information to the year period ending on 30 June 2020.

Manager	Legal & General	Barings	Ruffer	Partners Group
<b>Fund name</b>	Passive equity funds	Barings Dynamic Asset Allocation Fund	Absolute Return Portfolio*	Partners Fund

Manager	Legal & General	Barings	Ruffer	Partners Group
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>			Yes	
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	<i>The manager tracks engagement at a firm level only.</i>	<i>Data not provided</i>	16	<i>The manager tracks engagement at a firm level only.</i>
<b>Number of engagements undertaken at a firm level in the year</b>	1,110	<i>Data not provided</i>	23	59

\*This information was not available for the Ruffer segregated fund. Data has been provided for the Ruffer Absolute Return Portfolio, which is a similarly managed fund.

## Summary

Based on the information received, the Trustees believe that the asset managers have acted in accordance with the Scheme's stewardship policies as follows:

- The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The managers have demonstrated that they have engaged with their investee companies, as outlined in the Fund Level engagement section of this statement.
- The Trustees delegate the exercise of rights (including voting rights) to the investment managers. The investment managers have done this over the period considered, as outlined in the Voting Data section of this statement.

The Trustees are supportive of the key voting action taken by the applicable asset managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

The Trustees and their investment advisor are working with the asset managers to provide additional information in the future, in particular in regards to significant votes and engagement, in order to enhance their ability to assess the asset managers' actions.

**Prepared by the Trustees of the Student Unions Superannuation Scheme**

**November 2020**