Engagement Policy Implementation Statement (“EPIS”)

University of St Andrews Superannuation and Life Assurance Scheme (the “Scheme”)

# [Scheme](#_bookmark0) Year End – 31 July 2024

The purpose of the EPIS is for us, the Trustees of the University of St Andrews Superannuation and Life Assurance Scheme, to explain what we have done during the year ending 31 July 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

In our view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

We will continue to invite our investment managers to meetings throughout the year to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies. We will continue to undertake regular, detailed ESG monitoring of our managers. We believe our voting rights have been implemented effectively on our behalf.

# How voting and engagement policies have been followed

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance (“ESG”) issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme’s investment managers, which is in line with the policies set out in our SIP. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme’s investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the [Scheme’](#_bookmark1)s investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited (“Aon”). In particular, we received quarterly ESG ratings from Aon for the funds the [Scheme](#_bookmark1) is invested in where available.

During the year, we received training on ESG, stewardship topics and the General Code. We agreed our policies in relation to these.

Over the 12 months to 31 July 2024, we invited the Scheme’s managers (Baillie Gifford, Mirova, Ownership Capital, Aegon and CIP) to individual meetings during which the managers provided an insight into topics such as ESG integration and engagement.

Both of the Scheme’s infrastructure managers, KKR and CIP, provided evidence of extensive engagement activity, and did so in line with the best- practice engagement reporting guide produced by the Investment Consultants Sustainability Working Group (“ICSWG”). These managers currently do not track engagement statistics, which is common for infrastructure asset managers given the nature of this asset class, for this reason, we do not deem it necessary to engage with these managers to encourage more detailed tracking of engagements.

The [Scheme’](#_bookmark1)s stewardship policy can be found in the SIP: https://www.st- andrews.ac.uk/staff/money/pensions/slas/

# Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

* 1. We will invite our investment managers to meetings to continue to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.
  2. We will continue to undertake regular, detailed ESG monitoring of our managers.

# Our managers’ voting activity

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions.

Resolutions proposed by shareholders increasingly relate to social and environmental issues.

*Source: UN PRI*

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company’s stock. We believe that good stewardship is in the members’ best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders’ interests. Understanding and monitoring the stewardship that investment managers practice in relation to the [Scheme’](#_bookmark1)s investments is an important factor in deciding whether a manager remains the right choice for the [Scheme.](#_bookmark1)

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the [Scheme’](#_bookmark1)s equity-owning investment managers to responsibly exercise their voting rights.

## Voting statistics

The table below shows the voting statistics for each of the [Scheme’](#_bookmark1)s material funds with voting rights. Managers collate voting information on a quarterly basis. The voting information provided is for the year to 30 June 2024 which broadly matches the [Scheme](#_bookmark1) year.

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| --- | --- | --- | --- | --- |
| **Funds** | **Number of resolutions**  **eligible to vote on** | **% of resolutions voted** | **% of votes against management** | **% of votes abstained**  **from** |
| Baillie Gifford - Positive Change  Fund | 333 | 100.0% | 4.6% | 0.9% |
| Mirova - Global Sustainable Equity  Fund | 705 | 100.0% | 41.0% | 1.0% |
| Ownership Capital - Global Equity  Fund | 338 | 100.0% | 9.0% | 0.0% |
| UBS - Life Climate Aware World  Equity Fund | 17,927 | 98.6% | 10.1% | 0.1% |

*Source: Investment Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast, and are distinct from not casting a vote e.g. the 0.1% of votes abstained in the UBS fund above, are of 98.6% of the 17,927 votes that the manager was eligible to vote on.*

## Use of proxy voting advisers

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser’s recommendations.

The table below describes how the [Scheme’](#_bookmark1)s managers use proxy voting advisers.

|  |  |
| --- | --- |
| **Managers** | **Description of use of proxy voting advisers**  ***(in the managers’ own words)*** |
| Baillie Gifford & Co. (“Baillie Gifford”) | Whilst Baillie Gifford is cognisant of proxy advisers’ voting recommendations, they do not rely upon their recommendations when deciding how to vote on clients’ shares. All client voting decisions are made in-house. They vote in line with their in-house policy and not with the proxy voting providers’ policies. Baillie Gifford utilises two proxy advisers’ voting  research, Institutional Shareholder Services, Inc. (ISS) and Glass Lewis, for information |

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| --- | --- |
|  | only. They also have specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information, ZD Proxy and IIAS  respectively. |
| Mirova | Mirova utilises ISS as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to the ISS research, however its  recommendations are not prescriptive or determinative to their voting decision. |
| Ownership Capital | They currently cast their proxy votes via a dedicated voting provider, ISS |
| UBS Global Asset Management (“UBS”) | UBS AM retains the services of ISS for the physical exercise of voting rights and for  supporting voting research. UBS retains full discretion when determining how to vote at shareholder meetings. |

*Source: Investment Managers*

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the [Scheme’](#_bookmark1)s investment managers to provide a selection of what they consider to be the most significant votes in relation to the [Scheme’](#_bookmark1)s funds. A sample of these significant votes can be found in the appendix.

# Our managers’ engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the [Scheme’](#_bookmark1)s material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the [Scheme.](#_bookmark1)

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| --- | --- | --- | --- |
|  | **Number of engagements** | |  |
| **Funds** |  |  | **Themes engaged on at a fund level** |
|  | **Fund level** | **Firm level** |  |
| Baillie Gifford - Positive Change Fund | 61 | 744 | Environment - Climate Change; Pollution, Waste Social - Public Health; Inequality  Governance - Remuneration; Leadership -  Chair/CEO |
| Mirova - Global Sustainable Equity Fund | 42 | 122 | Environment - Natural Resource Use/Impact; Climate Change  Social - Human and Labour Rights; Human Capital Management  Governance - Remuneration |
| Ownership Capital - Global Equity Fund | 160 | 164 | Environment - Climate Change; Pollution, Waste Governance - Board Effectiveness - Independence/Oversight; Board Effectiveness - Other  Strategy, Financial & Reporting - Strategy/Purpose |
| UBS - Life Climate Aware World Equity Fund | 206 | 471 | Environment - Climate Change Social - Human Capital Management  Governance - Remuneration; Board Effectiveness -  Independence/Oversight; Board Effectiveness - Diversity |
| Aegon Asset Management (“Aegon”) - European Asset Backed Securities (“ABS”)  Fund | 127 | 528 | Environment - Climate Change  Governance - Board Effectiveness - Diversity; Leadership - Chair/CEO; Remuneration Other - General Disclosure |
| DRC Capital - UK Whole Loan Fund II | 15-20 | 150 | Social - Conduct, Culture and Ethics  Strategy, Financial & Reporting - Capital Allocation; Financial Performance; Reporting; Strategy/Purpose |
| PIMCO - GIS Diversified Income Fund | 267 | >1,355 | Environment - Climate Change  Governance - Board, Management & Ownership Strategy, Financial & Reporting - Capital Allocation; Financial Performance; Strategy/Purpose |
| BentallGreenOak (“BGO”) - UK Secured Lending III | 6 | *Not provided* | Environment - Climate Change; Natural Resource Use/Impact; Pollution, Waste  Social - Conduct, Culture and Ethics; Human and  Labour Rights |
| Copenhagen Infrastructure  Partners (“CIP”) - Infrastructure IV | *Not provided* | *Not provided* | Environment\* - Natural Resource Use/Impact (Biodiversity)  Social\* - Health & Safety |
| Kohlberg Kravis Roberts & Co. (“KKR”) - Diversified  Core Infrastructure Fund | *Not provided* | *Not provided* | Environment\* - Climate  Social\* - Employee Engagement |

*Source: Investment Managers.*

*\*CIP and KKR did not provide fund level themes; themes provided are at a firm-level.*

# Data limitations

At the time of writing, the following managers did not provide all the information we requested:

* Baillie Gifford did not provide a breakdown of number of engagements by theme.
* BGO did not provide firm level engagement information. The manager stated that it does not currently track total number of engagements or the breakdown by outcome.
* Copenhagen and KKR did not provide number of engagements at either a fund-level or a firm-level.

This report does not include commentary on certain asset classes such as cash because of the limited materiality of stewardship to these asset classes. This report does also not include additional voluntary contributions (“AVCs”) due to the relatively small proportion of the Scheme’s assets that are held as AVCs.

# Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the [Scheme’](#_bookmark1)s managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below in the managers’ own words:

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| --- | --- | --- |
| **Baillie Gifford - Positive Change Fund** | **Company name** | Xylem Inc. |
| **Date of vote** | 16 May 2024 |
|  | **Approximate size of fund's/mandate's holding as at the date of the vote (as % of**  **portfolio)** | 5.5 |
|  | **Summary of the resolution** | Remuneration |
|  | **How you voted?** | Votes against resolution (against management) |
|  | **Where you voted against management, did you communicate your intent to the**  **company ahead of the vote?** | No |
|  | **Rationale for the voting decision** | We opposed the executive compensation as we do not believe the performance conditions are  sufficiently stretching. |
|  | **Outcome of the vote** | Pass |
|  | **Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the**  **outcome?** | We engaged with the company to discuss compensation in the past and during the Annual General Meeting. We encouraged improvements strengthening a target range or consider other  metrics. |
|  | **On which criteria have you**  **assessed this vote to be most significant?** | This resolution is significant because we opposed remuneration. |
| **Mirova - Global Sustainable Equity Fund** | **Company name** | Unilever Plc |
| **Date of vote** | 01 May 2024 |
|  | **Approximate size of fund's/mandate's holding as at the date of the vote (as % of**  **portfolio)** | *Not provided* |
|  | **Summary of the resolution** | Say on Climate |
|  | **How you voted?** | Votes supporting resolution |
|  | **Where you voted against management, did you communicate your intent to the**  **company ahead of the vote?** | N/A |
|  | **Rationale for the voting decision** | The sector dedicated ESG analyst thoroughly reviewed the proposed transition plan. While there is room for improvement noted, on balance, we were  satisfied with the current proposal. |
|  | **Outcome of the vote** | Pass |
|  | **Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the**  **outcome?** | While concerns remain regarding governance of sustainability, we will leverage engagement to push the company to further improve the climate transition target setting and provide meaningful progress  reports. |
|  | **On which criteria have you assessed this vote to be most**  **significant?** | Relevant to engagement strategy regarding governance of sustainability. |
| **Ownership Capital - Global Equity Fund** | **Company name** | Edwards |
| **Date of vote** | 07 May 2024 |
|  | **Approximate size of fund's/mandate's holding as at**  **the date of the vote (as % of** | 5.6 |

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|  | **portfolio)** |  |
|  | **Summary of the resolution** | Advisory Vote to Ratify Named Executive Officers’  Compensation |
|  | **How you voted?** | Votes supporting resolution |
|  | **Where you voted against management, did you communicate your intent to the**  **company ahead of the vote?** | N/A |
|  | **Rationale for the voting decision** | As laid out last year, the OC compensation score card is satisfied. We did engage with the company on 1) detail representation of the sustainability link in CEO and leadership team performance which is currently vague and 2) lower the % of time-based in  long term incentive plans from 75% to 25-50%. |
|  | **Outcome of the vote** | Pass |
|  | **Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the**  **outcome?** | Compensation structure is an important part of aligning incentives between management and shareholders. |
|  | **On which criteria have you assessed this vote to be most**  **significant?** | Compensation structure is an important part of aligning incentives between management and  shareholders. |
| **UBS - Life Climate Aware World Equity Fund** | **Company name** | Shell Plc |
| **Date of vote** | 21 May 2024 |
| **Approximate size of fund's/mandate's holding as at the date of the vote (as % of**  **portfolio)** |  |
|  | *Not provided* |
|  | **Summary of the resolution** | Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate  Agreement |
|  | **How you voted?** | Votes against resolution (against management) |
|  | **Where you voted against management, did you communicate your intent to the**  **company ahead of the vote?** | Company not advised prior to meeting |
|  | **Rationale for the voting decision** | Shell has made incremental progress in this area since the previous year (when we supported the proposal), including introducing an absolute Scope 3 emissions target for their oil products. While the new target is not perfect, it is a sign of momentum in a positive direction, specifically in the area the proponent is focused on in this request. In our view it would be necessary for the company to divest a higher level of assets than is currently in investor interests in order to achieve an expanded Scope 3 target. With a say on climate vote on the ballot, we feel the best way to voice our concerns on the overall transition plan in our vote is on this resolution. This allows us to evaluate the entire plan and recognize where Shell may fall short of our expectations, rather than in one specific component  of the plan, which this proposal focuses on. |
|  | **Outcome of the vote** | Fail |
|  | **Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the**  **outcome?** | We will continue to engage the Company as part of our Net Zero Climate Thematic Programme. |

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| **On which criteria have you assessed this vote to be most**  **significant?** | Significant vote in light of past engagement activity and aggregate percentage of votes against  management exceeding 18% of votes cast. |

*Source: Investment Managers*