

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 July 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The SIP is a document that sets out the principles and policies governing how decisions about scheme investments are made for a pension scheme. The University of Liverpool Pension Fund's (ULPF) SIP is available at <https://www.liverpool.ac.uk/hr/pensions/ulpf/documents/>

Investment Objectives of the Fund

The Trustee's overall investment policy is guided by the following objectives:

- To ensure that the Fund's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Fund as they arise;
- The long term aim of the Fund is to ensure that, together with future contributions, the Fund's assets provide sufficient income to meet benefits and any expenses payable under the Fund as they fall due;
- The Trustee wishes to adopt a suitable investment policy in terms of both long-run strategic asset allocation and implementation, that will enable the Fund's asset value to increase in a prudent manner;
- The Trustee wishes to manage the risk that the investment policy could lead to the accrual of future benefits ceasing to be provided under the Fund;
- Subject to the strategic asset allocation containing a suitable level of risk, the Trustee wishes to generate surplus funds beyond the amounts expected to be required to meet the cost of standard benefits due to be payable under the Fund;
- The Trustee wishes the Fund to be solvent in the event of a winding-up;
- Each asset class has been considered and judged on merit for investment by the Trustee, having taken advice as appropriate from the Investment Advisor;
- To set and monitor appropriate benchmarks and performance targets for the investment managers;
- To pay due regard to the interests of the University of Liverpool ("the University") in relation to the volatility of the funding level and the payment of contributions.

Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in July 2023.

Not all the investment managers have reported on the exact specific scheme year to 31 July 2023 and in these circumstances we have used the 12 months to 30 June 2023.

The following work was undertaken in the year to 31 July 2023 relating to the Trustee's policy on ESG factors, Stewardship and Climate Change.

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Engagement

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee, through its investment consultant, reviews the investment managers' policies and engagement activities (where applicable) when the managers present to the Trustee.

The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Funds' investment managers, with the exception of DTZ Investors, confirmed that they are signatories of the current UK Stewardship Code 2020.

The strategic rationale of different asset classes that help the Trustee to achieve the Scheme's investment objectives and constraints remains the primary driver behind the Fund's investment strategy. However, within this context, the Trustee is increasingly considering how ESG, climate change and stewardship issues are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

The Trustee reviews investment performance reports on a quarterly basis, which includes the investment consultant's assessment of the extent to which the investment managers integrate ESG into the investment process, as applicable. This assessment includes and allows for the investment managers' policy on voting and engagement, amongst other considerations. Where managers may not be highly rated from an ESG perspective, relative to the peer group, the Trustee may undertake further engagement. The Trustee will also use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee meets with the investment managers regularly and may challenge decisions made including voting history (in respect of equities) and engagement activity, if deemed appropriate.

The Fund's investment managers provided examples of instances where they had engaged with investee companies. These engagement initiatives are driven mainly through regular meetings or by voting on resolutions at companies' Annual General Meetings, related to various governance, social or environmental issues.

Voting and Engagement Activity

Engagement Activity

BlackRock

The Fund holds corporate bonds and index-linked gilts with Blackrock. Blackrock believes that effective disclosure can lead to real change in how companies are managed for the benefit of all stakeholders. Engagement is core to BlackRock's stewardship program as it helps them assess a company's approach to governance, including the management of relevant environmental and social factors. BlackRock's engagement discussions centre on core governance practices that align with clients' long-term financial interests as investors – including board quality, the company's strategy and financial resilience, and executive incentives. BlackRock also engaged with companies on sustainability-related factors that are material to their business models, including management of potential risks associated with climate and natural capital, as well as the impacts of a company's operations on their workforce, and broader value chain.

CQS

Over the year, CQS engaged with Jadex, a material science manufacturer. Jadex have been working to produce sustainable products and CQS want to see them continue making progress by committing to net zero. CQS initially discussed the idea of decarbonisation with them in March 2022, the CFO told CQS that they would be working to calculate baseline greenhouse gas emissions before establishing any targets. In November 2022, CQS followed up and Jadex told them that they would work towards reducing their operational impact on the planet however they did not set any specific targets.

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In February 2023, CQS met with Jadex again and they revealed that they have released their first ESG report and announced a decarbonisation target of 10% reduction in scope 1 & 2 emissions by 2025. CQS will continue to encourage them to commit to net zero.

UBS

On the grounds that the strategy is a commingled real estate fund, the UBS Triton Fund does not currently invest in any listed companies and as such engagement in the traditional sense does not apply. With that said, UBS actively collaborate with tenants, property managers and suppliers of services and materials to achieve their Responsible Investment objectives. UBS formally survey their tenants at least once every three years on their general experience and sustainability.

UBS have developed a relationship with the Social Value Portal to collect data to calculate a social value for their properties to understand and measure local employment levels, traineeships, jobs for young offenders, community events held at the property and volunteering. Once the data is collected, the Social Value Portal are able to calculate in monetary terms a social value for each property which is then mapped to the UN's Sustainable Development Goals. By 31 December 2021, the total social value created by all assessed assets against three of the 17 UN Sustainable Development Goals was assessed to be c. £10m. UBS' ambition is to have a social value for the whole portfolio. In the 2022 GRESB Real estate Assessment, UBS has led its peer group of 93 UK core diversified property strategies for the 6th consecutive year, improving its rating from 4 stars to 5 stars.

Newton

Newton engaged with Barclays over the year to encourage the bank to strengthen its climate transition plan. 150 clients (from sectors where the bank has targets) are part of its client transition framework, with 80% having climate targets. The bank is working with Oliver Wyman to review and compare this with best practice. It will disclose its transition plan framework this year and will cover outputs of the methodology as well.

JP Morgan

Through IIF's 100% ownership of Onward Energy, the team completed an acquisition in January 2023, which expanded Onward Energy's solar portfolio by 1.2 GW. The solar space had historically been a challenging market for Onward to penetrate given highly competitive and fragmented market dynamics so this was an opportunity to increase its solar footprint and allow for additional opportunities for growth, optimisation and the ability to leverage the company's diversification.

DTZ

On the grounds that the strategy is a commingled real estate fund, the DTZ Active Value Property Fund does not invest in any listed companies and as such engagement in the traditional sense does not apply. The fund does however undertake pre-acquisition Environmental Assessments on all assets as part of the underwriting and risk management process. The fund is included within UNPRI and Stewardship Code submissions and annual GRESB submissions.

Aviva

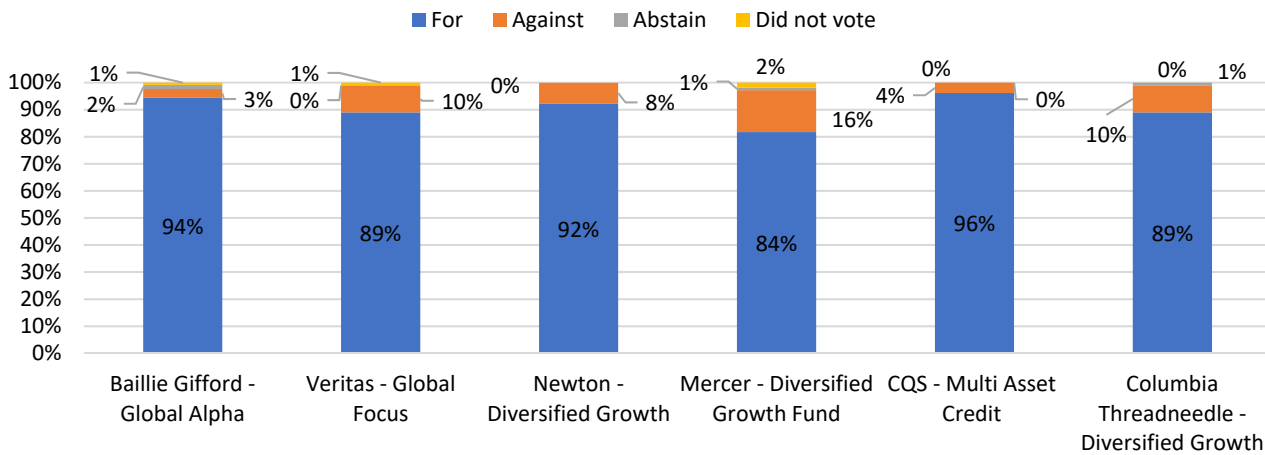
On the grounds that the strategy is a commingled real estate fund, the Aviva Lime Property Fund does not currently invest in any listed companies and as such engagement in the traditional sense does not apply. With that said, the fund's net zero commitment is included in the Aviva Investors Real Assets Net Zero Pathway which was set in accordance with the Better Buildings Partnership's Climate Commitment. They carry out net zero due diligence audits with their tenants to understand a building's current net zero alignment and make clear costed recommendations to improve asset performance and align with a net zero trajectory.

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Voting activity during the Fund Year

The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting at least annually. These reports are reviewed as part of the production of this Statement.

A summary of the voting activity for the Fund’s equity investments is set out below. Over the prior 12 months, the Trustee has not actively challenged the investment managers of each externally managed fund on their voting activity, however managers have presented a summary of activity at meetings. The Trustee does not use the direct services of a proxy voter.



Total Eligible Proposals	1,263	468	1,112	102,805	26	3,783
% Eligible Proposals Voted	94%	96%	100%	97%	100%	100%

Significant Voting

Following new guidance from the Department for Work and Pensions (‘DWP’), the Trustee is required to define what constitutes a ‘significant vote’ to guide the inclusions in this Implementation Statement. Votes that the Trustee considers ‘most significant’ are required to be included in this statement.

The Trustee defines significance according to holding size and therefore reports on votes relating to holdings accounting for over 2.5% of Net Asset Value (NAV) within each of the invested funds, measured at the nearest quarter end to the effective date of this statement (30 June 2023). This reporting is filtered according to the following stewardship priorities:

- Environmental (E) - Climate change
- Social (S) - Human rights (including modern slavery)
- Governance (G) – Diversity, equity and inclusion

The votes that the Trustee deems most significant are shown on the following page.

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Fund	Issuer / Size of holding	Date	Resolution Summary	Stewardship Priority	Vote	Management Recommendation	Rationale	Outcome
Veritas Global Focus	Alphabet Inc. / 6.55%	02/06/23	Did not pass	S - Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	For	Against	Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.	Fail
Veritas Global Focus	Amazon.com, Inc. / 4.70%	24/05/23	Did not pass	E - Report on Efforts to Reduce Plastic Use	For	Against	Shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste.	Fail
Veritas Global Focus	Amazon.com, Inc. / 4.70%	24/05/23	Did not pass	E - Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	For	Against	Shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy.	Fail
Veritas Global Focus	Amazon.com, Inc. / 4.70%	24/05/23	Did not pass	E - Report on Climate Lobbying	For	Against	The request was not considered overly onerous or prescriptive, and shareholders would benefit from greater transparency of the company's direct and indirect climate lobbying, and how the company would plan to mitigate any risks that might be identified.	Fail
Baillie Gifford Global Alpha	Microsoft Corporation / 2.88%	13/12/22	Did not pass	G - Report on the company's alignment between its hiring practices and public statements	Against	Against	Baillie Gifford are comfortable with the company's efforts in this area and do not think this additional analysis would be worthwhile.	Fail