

# University of Aberdeen Superannuation & Life Assurance Scheme

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## Annual Report For the Year ended 31 July 2024

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### d) IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 JULY 2024

#### Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme (“the Scheme”) have followed their policies in relation to the exercising of rights (including voting rights), attached to the Scheme’s investments (excluding AVCs), and engagement activities have been followed during the year ended 31 July 2024 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

#### Background

The Trustees’ policies in relation to ESG and voting issues are documented in their Statement of Investment Principles (“SIP”), dated October 2021. Further to this, the Trustees took part in an ESG Investment Beliefs survey in September 2021 where they collated the views of the Trustee Board on ESG matters.

#### The latest review of the Statement of Investment Principles

During the reporting year, there were no reviews or amendments to the Scheme’s SIP. The latest review of the Scheme’s SIP was in October 2021. The Scheme is in the process of an investment strategy review - the Statement of Investment Principles will be updated to reflect the outcome of this review.

#### Investment-related activity during the reporting year

Over the year, the Trustees considered their approach to ESG issues and developed a bespoke framework to evaluate investment allocations. This framework takes into account the views of the Trustee Board, the University of Aberdeen’s Sustainable Investment Policy, and XPS Investment Limited’s views on best practice in sustainable investment. The Trustees have established the following areas which they consider to be a key priority for stewardship activity undertaken on their behalf:

- Climate change
- Pollution and waste
- Diversity and inclusion
- Natural resources
- Human and labour rights

These priorities were selected by the Trustees and align with the University’s sustainability goals as well as the Scheme’s investment advisor’s ESG priority topics.

#### Manager selection exercises

One of the main ways in which the policies in relation to ESG are expressed is via manager selection exercises; the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

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During the reporting year, the Trustees used the bespoke evaluation framework discussed above to evaluate potential allocations to a sustainable multi-asset fund. At the time of writing, the Trustees are still considering how to proceed with this allocation.

### **Ongoing governance**

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the SIP.

Over the reporting year, the Trustees received assurance from their investment managers that the managers were effectively undertaking stewardship activities on their behalf.

During the reporting year, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Scheme. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

The report was discussed at the 11 September 2024 Trustees' meeting. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Scheme is ultimately invested via the funds held within the Scheme's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment manager organisation in this area and on ESG matters overall. The Trustees concluded that the ESG capabilities of the investment managers were satisfactory for the Scheme overall, but noted that some practices were assessed as poor for some of the funds in which the Scheme invests. ESG issues will be kept under review as part of the quarterly monitoring process and the Trustees will communicate their concerns with the relevant investment manager organisations when, for example, they present at meetings.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, they will monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the manager.

### **Adherence to the Statement of Investment Principles**

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights within the Statement of Investment Principles (including on the exercise of voting rights) to an acceptable degree.

### **Voting activity**

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights and hence the criterion of what is determined a "significant vote") attached to the Scheme's investments to the Investment Managers. The Trustees have confirmed this approach to be appropriate for the Scheme's investments. The information below is the Investment Managers engagement activity in relation to voting.

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The main asset class where the investment managers will have voting rights is equities. The Scheme has equity exposure as part of the strategies for the LGIM Diversified and Dynamic Diversified funds. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

This voting information has been provided by the investment manager. The Trustees have selected significant votes on the basis they are linked to key ESG issues including, but not limited to: climate change; other climate issues such as natural capital; executive remuneration; governance; independence; modern slavery or other factors such as the size of the holding.

Where the manager has provided a selection of significant votes, the Trustee has reviewed the rationale for significant votes provided by the managers and is comfortable with the rationale provided, and that this is consistent with their policy. The Trustees, with the help of their Investment Consultant, have considered the information the Investment Managers have been able to provide on significant voting, and have deemed the below information as most relevant.

*Disclaimer: Neither XPS nor the Trustees have vetted these votes. These summaries have been provided by the investment manager and any reference to "our", "we" etc. is from the investment manager's perspective.*