University of Aberdeen Superannuation and Life Assurance Scheme Implementation Statement for the year ended 31st July 2020

Purpose

This statement provides information on how, and the extent to which, the Trustees’ policies in relation to the exercising of rights (including voting rights), attached to the Scheme’s investments, and engagement activities have been followed during the year ended 31st July 2020 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

In June 2019, the Trustees received training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”) and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues. The Trustees’ new policy was documented in the updated Statement of Investment Principles dated September 2019.

The Trustees’ updated policy

The Trustees have determined their approach to financially material considerations over the Scheme’s long term funding horizon – including environmental, social and corporate governance (“ESG”) factors – by acknowledging that there can be risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s investment managers. The Trustees require the Scheme’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser 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. Furthermore, the Trustees, along with assistance for the Investment Adviser, will 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 this Statement.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourages them to vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Further, the Trustees’ policy is that non-financial matters1 should not be taken into account in the selection, retention and realisation of investments.

Manager selection exercises

One of the main ways in which this updated policy is 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.

During the reporting year, there have been no such manager selection exercises.

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 this statement.

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 4th March 2020 Trustee 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. 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> It was agreed that the Trustees should look at the various asset classes and decide what the priorities are an what is achievable. There may be areas, such as the diversified funds, where other managers can offer better ESG credentials than LGIM.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

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 (including voting rights) and engagement activities to an acceptable degree

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has a specific allocation to equities from the LGIM World (ex UK) Equity Index (unhedged and GBP hedged) fund, and investments in equities will also form part of the strategy 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 as follows:

**Legal and General Investment Management World (ex UK) Equity Index Fund**

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| **Voting Information** | | | |
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| **Legal and General Investment Management World (ex UK) Equity Index Fund** | | | |
| The fund manager has not provided stewardship code data at present | | | |
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| The manager voted on 99.8% of resolutions of which they were eligible out of 27125 eligible votes. | | | |
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| **Investment Manager Client Consultation Policy on Voting** | | | |
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| LGIM’s voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries. | | | |
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| **Investment Manager Process to determine how to Vote** | | | |
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| All decisions are made by LGIM’s Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies. | | | |
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| **How does this manager determine what constitutes a 'Significant' Vote?** | | | |
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| As regulation on vote reporting has recently evolved with the introduction of the concept of ‘significant vote’ by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.  For many years, LGIM has regularly produced case studies and/ or summaries of LGIM’s vote positions to clients for what we deemed were ‘material votes’. We are evolving our approach in line with the new regulation and are committed to provide our clients access to ‘significant vote’ information. In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to: • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes. We will provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.  If you have any additional questions on specific votes, please note that we publicly disclose our votes for the major markets on our website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting ‘Voting Report’ on the following page:  http://documentlibrary.lgim.com/litlibrary/lglibrary\_463150.html?req=internal | | | |
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| **Does the manager utilise a Proxy Voting System? If so, please detail** | | | |
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| LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice. We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action. | | | |
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| **Top 5 Significant Votes during the Period** | | | |
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| Company | Voting Subject | How did the Investment Manager Vote? | Result |
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| **AMAZON** | **Shareholder resolutions 5 to 16** | **Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).** | **Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 6 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support. (Source: ISS data)** |
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| Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. Our engagement with the company continues as we push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital. | | | |
| **EXXONMOBIL** | **Resolution 1.10 - Elect Director Darren W. Woods** | **Against** | **93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)** |
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| We believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. Our voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company. | | | |

**Legal and General Investment Management Diversified Fund**

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| **Voting Information** | | | |
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| **Legal and General Investment Management Diversified Fund** | | | |
| The fund manager has not provided stewardship code data at present | | | |
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| The manager voted on 99.2% of resolutions of which they were eligible out of 82870 eligible votes. | | | |
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| **Investment Manager Client Consultation Policy on Voting** | | | |
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| **Top 5 Significant Votes during the Period** | | | |
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| Company | Voting Subject | How did the Investment Manager Vote? | Result |
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| **BARCLAYS** | **Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution** | **LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.** | **Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)** |
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| The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change. | | | |
| **AMAZON** | **As per World Equity Fund** | **as per World Equity Fund** | **As Per World Equity Fund** |
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| **EXXONMOBIL** | **As per World Equity Fund** | **As Per World Equity Fund** | **As per World Equity Fund** |
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| **LAGARDÈRE** | **Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).** | **LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).** | **Even though shareholders did not give majority support to Amber’s candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)** |
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| LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of SB under review. | | | |

**Legal and General Investment Management Dynamic Diversified Fund**

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| **Voting Information** | | | |
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| **Legal and General Investment Management Dynamic Diversified Fund** | | | |
| The fund manager has not provided stewardship code data at present | | | |
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| The manager voted on 99.6% of resolutions of which they were eligible out of 54072 eligible votes. | | | |
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| **Investment Manager Client Consultation Policy on Voting** | | | |
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| **AMAZON** | **As Per World Equity Fund** | **As per World Equity Fund** | **As per World Equity Fund** |
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| **EXXONMOBIL** | **As per World Equity Fund** | **As per World Equity Fund** | **As per World Equity Fund** |
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