



University of York Pension Fund

Implementation Statement for the year ended 31 July 2024

October 2024

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Introduction

This Implementation Statement (the "Statement") has been prepared by the University of York Pension Trust Limited (the "Trustee"), the trustee company of the University of York Pension Fund (the "Fund") to demonstrate how the Trustee has acted on certain policies within its Statement of Investment Principles (SIP).

Each year, the Trustee must produce an Implementation Statement that demonstrates how it has followed certain policies within the Fund's SIP over the year. This Implementation Statement covers the Fund year from 1 August 2023 to 31 July 2024.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (DB) investments held by the Fund. Note that this excludes any Additional Voluntary Contribution investments held by the Fund.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including (where applicable) a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP policies

This Implementation Statement should be read in conjunction with the Fund's SIP covering the year under review, which gives details of the Fund's investment policies along with details of the Fund's governance structure and objectives.

There were no changes made to the Fund's SIP during the Fund year.

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Fund year end and the extent to which the Trustee believes the SIP's policies have been followed.

The Fund invests in pooled funds managed by Legal and General Investment Management ("LGIM"), Schroders Investment Management Limited ("Schroders"), Standard Life Assurance Limited ("abrdrn"), Alcentra Limited ("Alcentra") and Macquarie Investment Management ("Macquarie") (together, the "Investment Managers").

In the Fund's latest SIP, dated June 2023, the Trustee stated the following policies on the exercise of voting rights and engagement activities related to its investments (the below are partial extracts from the SIP):

- As an institutional investor that takes its fiduciary obligations to its members seriously, the Fund aims to be an active and responsible long-term investor in the assets and markets in which it invests. By encouraging responsible corporate behaviour, the Trustee expects to protect and enhance the value of the Fund's investments in the long-term.
- The Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the investment manager.
- The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved. The Trustee has considered its views and its belief about the likely views of the Fund's members with regards to non-financial considerations and will review its beliefs in this area from time to time.
- As part of the selection, retention and realisation of the Fund's investments, the Trustee, in consultation with their investment advisor, have reviewed the ESG and stewardship policies of their investment managers and are comfortable that these policies are consistent with their views.
- The Trustee will keep its investments under review, and should they feel that any investment manager no longer acts in accordance with its views on ESG, the Trustee will take the following steps:
 - engage with the investment manager in the first instance, in an attempt to influence their policies on ESG and stewardship; and
 - if necessary, look to appoint a replacement investment manager or managers that are more closely aligned with the Trustee's policies and views.
- These statements are made noting that the Fund's assets are invested in pooled funds and as such, the Trustee is restricted in their ability to directly influence its investment manager on the ESG policies and practices of the companies in which the pooled funds invest.
- The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Fund's interests in the investments, having regard to appropriate advice.

Description of voting behaviour

Over the year, the Fund was invested in two mandates where underlying assets included publicly listed equities. These were:

- A pooled UK equity managed by LGIM (Future World UK Equity Index Fund); and
- A pooled global equity fund managed by LGIM (Future World Global Equity Index Fund – GBP Hedged).

The Trustee's voting behaviour over the Fund year for these holdings is summarised below. Please note that LGIM only provide data to each quarter-end, as such the voting data provided is for the period to 30 June 2024 (with part-quarter data currently being unavailable).

The following table shows a summary of the voting activity carried out on behalf of the Trustee in respect of the Fund's investment in the LGIM Future World UK Equity Index Fund:

LGIM Future World UK Equity Index Fund (£28.5m as at 31 July 2024)	1 July 2023 – 30 June 2024
Number of meetings LGIM was eligible to vote at over the year to 30/06/2024	391
Number of resolutions LGIM was eligible to vote on over the year to 30/06/2024	6,273
Of the eligible resolutions, percentage that LGIM voted on	99.9%
Of the resolutions voted, percentage that LGIM voted with management	94.2%
Of the resolutions voted, percentage that LGIM voted against management	5.8%
Of the resolutions voted, percentage where LGIM abstained	0.0%
Percentage of eligible meetings where LGIM voted at least once against management	39.5%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	4.4%

Note: Totals may not sum due to rounding.

The following table shows LGIM voting summary covering the Fund's investment in the LGIM Future World Global Equity Index Fund – GBP Hedged:

LGIM Future World Global Equity Index Fund (£75.2m as at 31 July 2024)	1 July 2023 – 30 June 2024
Number of meetings LGIM was eligible to vote at over the year to 30/06/2024	5,379
Number of resolutions LGIM was eligible to vote on over the year to 30/06/2024	54,867
Of the eligible resolutions, percentage that LGIM voted on	99.8%
Of the resolutions voted, percentage that LGIM voted with management	80.4%
Of the resolutions voted, percentage that LGIM voted against management	19.0%
Of the resolutions voted, percentage where LGIM abstained	0.6%
Percentage of eligible meetings where LGIM voted at least once against management	62.9%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	10.1%

Note totals may not sum due to rounding.

Significant Votes

As set out in the SIP, under Section 9, the Trustee expects the Investment Managers to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. As such, the Trustee expects the Investment Managers to exercise voting rights to protect the value of the Fund's interests in the investments.

LGIM

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. LGIM has provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period for both the LGIM Future World UK Equity Index Fund and LGIM Future World Global Equity Index Fund.

A large number of the most significant votes cast by LGIM related to the election of directors with the majority of instances being against such resolutions. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair noting the belief that the two roles are substantially different and require distinct skills and experiences. Since 2021 LGIM has adopted the view of voting against all combined board chair/CEO roles.

Another frequent topic was the issue of gender diversity at the board level. LGIM views gender diversity as a financially material issue with implications for the return on assets. LGIM seeks to engage with companies on this issue.

Example 1: LGIM Future World UK Equity Fund	
Vote Details	Unilever Plc, 1 May 2024.
Approximate size of fund's holding as at date of vote	5.7% of Future World UK Equity Fund.
Rationale for significance	LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario as defined by the Paris Agreement. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against a company's proposed transition plan.
Voting decision	LGIM voted for Unilever's Climate Transition Action Plan as it meets LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 greenhouse gas emissions and short, medium and long-term greenhouse gas emissions reduction targets consistent with a 1.5°C Paris goal. Despite the Science Based Targets Initiative (SBTi) recently removing their approval of the company's long-term scope 3 target, LGIM note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. LGIM therefore remain supportive of the net zero trajectory of the company at this stage.
Voting against management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Vote outcome	Pass
Next Steps	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Example 2: LGIM Future World Global Equity Fund – GBP Hedged	
Vote Details	Eli Lilly and Company, 6 May 2024.
Approximate size of fund's holding as at date of vote	1.0% of Future World Global Equity Fund – GBP Hedged.
Rationale for significance	LGIM considers this vote to be significant as it relates to LGIM's vote policy on the topic of the combination of the board chair and CEO roles.
Voting decision	LGIM voted against management, as they expect companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
Voting against management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Vote outcome	Pass
Next Steps	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Proxy voting

The Trustee did not employ a proxy-voting service during the Fund year to 31 July 2024.

LGIM

LGIM votes by proxy as given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Services' ('ISS') electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ('IVIS'). To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. LGIM retain the ability in all markets to override any vote decisions.

How voting and engagement policies have been followed

The Trustee reviews and monitors the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Managers has provided the Trustee with comfort that their voting and engagement policies have been largely followed during the Fund year to 31 July 2024.

Details of specific voting and engagement topics are shown in the table below.

Voting and engagement topic	Policy followed in the opinion of the Trustee?	Comments
Performance of debt or equity issuer	✓	The voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	The Investment Managers have clear voting policies covering each of these topics and have acted on them throughout the Fund year on behalf of the Trustee. For instance, LGIM believes that board independence, diversity and remuneration can have a financially material impact on the assets it invests within, with the Board

		<p>ultimately responsible for the strategy for any company that LGIM invests in or holds as a counterparty.</p> <p>Over the reporting year, LGIM voted against the election of male chairmen due to a lack of gender diversity at a number of companies, examples including Experian Plc and Alphabet.</p>
Risks	✓	<p>The Investment Managers have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors.</p> <p>LGIM also believes that increased transparency and disclosure can allow for financially material risks to be identified. As an example, LGIM voted in favour of Apple producing a report on the use of AI in its business operations and disclose any ethical guidelines that the company has adopted regarding the company's use of AI technology. LGIM believe companies like Apple should be transparent in their uses of AI and their risk management processes.</p>
Social and environmental impact	✓	<p>The Investment Managers have clear ESG related policies in place to ensure ESG factors are sufficiently taken into account when voting, as an issuer's ESG practices may have a significant impact on the value of the issuer. Instances of these are outlined below.</p> <p>LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p> <p>LGIM also introduced a policy to vote against the largest UK and US companies in 2022 where there was insufficient gender representation on the executive committee, or the board did not include at least one person from an ethnic minority background. In relation with this policy, LGIM voted in favour of the Amazon shareholder proposal requesting a report on customer due diligence as LGIM believe that Amazon's approach to human capital management issues has the potential to drive improvements across both its industry and supply chain.</p> <p>On the issue of reporting disclosures, since 2022, LGIM has been voting against any LGIM transparency score laggards and the list of companies voted against are published on LGIM's website. This means that, for instance, any company not providing the following minimum disclosures will be sanctioned by LGIM; ESG reporting standard, verification of ESG reporting, scope of greenhouse gas (GHG) emissions, tax disclosure, director disclosure and remuneration disclosure.</p>
Conflicts of interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management).</p> <p>Over the period under review, the Investment Managers voted against incentive awards which did not have appropriate performance conditions, as these awards would not align remuneration with company performance.</p> <p>For example, LGIM voted against Tesla ratifying named executive officers' (NEOs) compensation, particularly because whilst most NEOs received modest or no compensation for FY23, one executive in LGIM's opinion was granted an outsized, time-based stock option award upon his promotion, and LGIM believe the magnitude and design for this are not adequately explained.</p>
Capital structure	✓	<p>The Investment Managers have policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance. For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution. LGIM also has policies that protect minority shareholder rights including "one share, one vote" to avoid weakening of corporate governance as investors ability to influence and hold directors accountable would be reduced. LGIM voted against elections at Alphabet, Comcast Corporation, and CME group as LGIM supports the equitable structure of</p>

		one-share-one-vote and expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure.
Corporate governance	✓	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the voting stances to oppose combined chair/CEO roles and all-male boards globally.</p> <p>Since 2021, LGIM has adopted a policy to vote against all elections which combine the roles of CEO and Chair. As some examples of this in practice, LGIM voted against the election of directors at Accenture, Eli Lilly and Company, and Coca-Cola Company, alongside several others in line with this policy. LGIM has reinforced its position on leadership structures across their stewardship activities such as via individual corporate engagements and director conferences.</p>

Engagement with investee companies

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and was not directly applicable for the Fund's non-equity investments as these investments do not carry voting rights. However, the Trustee expects the Investment Managers to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

The Trustee has requested information on engagement activities on behalf of the Fund's investment in the LGIM corporate bond fund, LGIM LDI funds, Schrodgers private equity and property portfolio, the abrdn private equity and ground rents funds, the Alcentra Direct Lending Fund and the Macquarie Infrastructure Fund, at the fund level where possible.

LGIM actively engages with investee companies in writing, via conference call and at face-to-face meetings with management. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity, and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

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 clients. LGIM's voting policies are reviewed annually and take into account client feedback.

The top five engagement topics were climate impact pledges, capital management, corporate strategy, remuneration and climate change.

At a fund specific level, the Investment Managers have provided the following summary of engagements undertaken for the LGIM Future World UK Equity Index Fund, the LGIM Future World Global Equity Index Fund, the LGIM Future World GBP Corporate Bond Index Fund, LGIM Sterling Liquidity Fund and the Alcentra European Direct Senior Fund. Data for the LGIM funds are for the year to 30 June 2024 and the data for the Alcentra fund is for the year to 30 September 2024.

	Total engagements	No. of unique companies engaged	Environmental topics	Social topics	Governance topics	Other topics
LGIM Future World UK Equity Index Fund	397	198	174	71	158	66
LGIM Future World Global Equity Index Fund – GBP Hedged	1,951	1,256	1,461	215	376	174
LGIM Future World GBP Corporate Bond Index Fund	381	153	208	55	139	106

LGIM Sterling Liquidity Fund	42	23	34	1	7	2
Alcentra European Direct Senior Fund	181	61	34	42	19	42

Extent to which Trustee's policies have been followed during the year

Having reviewed the actions taken by Schroders, LGIM, abrdn, Macquarie and Alcentra on behalf of the Trustee over the period, the Trustee believes that their policies on voting rights (where applicable) and engagement have, in general, been implemented appropriately over the year and in line with the Investment Managers' policies. The Trustee will continue to monitor the actions taken on their behalf each year and press for improved information from the Investment Managers.

If the Investment Managers deviate substantially from the Trustee's stated policies, the Trustee will initially discuss this and engage with the relevant manager. If in the opinion of the Trustee the difference between the policies and the investment manager's actions is material, the Trustee will consider terminating the mandate and look to appoint a replacement investment manager or managers that are more closely aligned with the Trustee's policies and views.

