

# Cardiff University Pension Fund – Implementation Statement for the year ending 31 July 2024

## 1. Purpose

This Implementation Statement (“Statement”) has been prepared by the Trustees of the Cardiff University Pension Fund (the “Scheme”). It reports on how, and the extent to which, certain policies relating to the Scheme’s investments (as set out in the Scheme’s Statement of Investment Principles, “SIP”) have been complied with during the year ended 31 July 2024. In preparing this Statement, voting and stewardship policies, conflicts of interest and engagement have been reviewed. This review has been conducted by the Scheme’s Investment Adviser and the Trustees have reviewed and approved the conclusions within this statement. This includes the exercise of rights (including voting) and other engagement activities undertaken in respect of the Scheme’s investments. This Statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## 2. Background

This Statement has been prepared by the Trustees, with the assistance of their Investment Adviser (Quantum Advisory) in line with the current regulatory guidance that was in place at the Scheme year-end.

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees or the Investment Adviser on the Trustees’ behalf.

## 3. Executive summary

Over the Scheme year:

- The Trustees’ Investment Adviser reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content with their Investment Adviser’s conclusion that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- The Trustees reviewed their ESG policies and beliefs during the Scheme year. As a result, the Trustees, following written advice from their investment adviser, implemented some funds with explicit ESG objectives.
- Furthermore, in line with the DWP’s guidance, the Trustees set their stewardship priorities during the Scheme year. Whilst these are not captured in the SIP that was in place as at the Scheme year-end, the Trustees decided to focus their efforts on Climate Change and Board Structure.
- The Trustees are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP. The SIP was updated at the start of the Scheme year to reflect changes that were made to the Scheme’s investment strategy (this does not reflect the implementation of funds with stronger ESG objectives, as detailed above). The SIP will be updated after the year-end for this change.

- The Trustees have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

Funds that do not hold equities do not have voting rights. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they actively engage with their investments.

## 4. Investment Manager's voting and stewardship policies and activity

### Trustees' voting and stewardship policies

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing existing investment managers.

The Trustees are unable to direct how votes are exercised and have not used proxy voting services over the year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions. As part of this exercise, the Trustees, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

The Trustees undertook a review of their stewardship priorities in 2023 and decided to focus on:

- Managing climate-related risks, as they recognise that a rise in global temperatures could have an adverse effect on the Scheme's investments; and
- Board structure, as they recognise that a good level of diversity and independence in company boards can help improve long-term returns for investors.

The Trustees will monitor and discuss instances where the investment managers' voting activity does not align with their priorities, and seek to understand the reasons for this in the first instance. The Trustees will then escalate the matter if it persists and may review their holding in the fund if this is deemed appropriate.

Over the Scheme year, the voting activities of the following funds have been reviewed by Quantum Advisory on behalf of the Trustees:

- BNY Mellon Sustainable Real Return Fund
- LGIM Dynamic Diversified Fund
- LGIM FTSE TPI Global Fossil Fuel Exclusions Equity Index Fund – GBP Hedged Fund
- Partners Group Generations Fund

The Trustees have reported on the funds that were held at the Scheme year-end date.

Furthermore, the general stewardship policies of all investment managers have been reviewed by Quantum Advisory on behalf of the Trustees.

### Managers voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this Statement, Quantum Advisory has noted the investment managers' stewardship policies and the extent to which the investment managers make use of any proxy advisory and voting services. Quantum Advisory are satisfied that the voting and policies/procedures of the investment managers are reasonable and consistent with industry practice. Quantum Advisory are also satisfied that the general stewardship policies of all the investment managers are reasonable and consistent with industry practice. This includes investments in bonds and other instruments. The Trustees have approved this conclusion.

## Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year.

Statistic	BNY Mellon Sustainable Real Return Fund	LGIM FTSE TPI Global Fossil Fuel Exclusions Equity Index Fund – GBP Hedged Fund <sup>1</sup>	LGIM Dynamic Diversified Fund <sup>1</sup>	Partners Generations Fund <sup>1</sup>
Number of equity holdings	68	1,274	7,278	>50
Meetings eligible to vote at	68	1,145	10,156	68
Resolutions eligible to vote on	984	16,151	103,375	905
Proportion of eligible resolutions voted on (%)	99.2	99.7	99.8	100
Votes with management (%)	94.3	78.8	76.4	91
Votes against management (%)	5.7	20.9	23.1	5
Votes abstained from (%)	0.0	0.3	0.5	4
Meetings where at least one vote was against management (%)	33.8	76.4	73.4	18
Votes contrary to the recommendation of the proxy adviser (%)	5.2	16.1	14.1	3

Source: Scheme's underlying investment managers. <sup>1</sup> Please note LGIM only report voting information on a quarterly basis and Partners Group semi-annually, and therefore the information presented is as at 30 June 2024.

Quantum Advisory has noted that, as a whole, the voting activity meets expectations (see table above and appendix 2) and the Trustees are satisfied with the voting activity that has been undertaken within the invested funds during the Scheme year.

## Significant votes over the reporting year

Quantum Advisory have reviewed the most significant votes cast by the investment managers on behalf of the Trustees and, as a whole, are satisfied that these are generally as expected.

The Trustees have interpreted the most significant votes to mean their choice of votes from an extended list of votes provided by each of the investment managers which address the Trustees' specific stewardship priorities.

The Trustees have reviewed and are satisfied with the significant votes undertaken during the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

## 5. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; and
5. Differences between the stewardship policies of managers and their clients.

### **BNYM/ Newton**

Newton manages the BNY Mellon Sustainable Real Return Fund.

Newton Investment Management ("Newton") have confirmed that they were not affected by any conflicts of interest stated above for the Sustainable Real Return Fund over the period. However, they did identify a number of potential conflicts of interest at a firm level. Where Newton identified a conflict of interest, the voting recommendation of an independent third-party proxy service provider was applied. For more information on identification and management of conflicts of interest, Newton referred the Trustees to their Sustainability and Stewardship report.

This is available here: <https://www.newtonim.com/uk-institutional/special-document/responsible-investment-and-stewardship-annual-report/>

### **Insight**

Insight have confirmed that they are not affected by the above conflicts for the LDI funds.

Insight have a Conflicts of Interest Policy that details processes to reduce conflicts from arising and the guiding principles used in their resolution. Insight ensures it manages conflicts of interest fairly and in accordance with the Financial Conduct Authority (FCA, UK), Central Bank of Ireland (Ireland), Securities and Exchange Commission (SEC, US), and other principal bodies that oversee their activities. Where potential conflicts arise, Insight will not enter into a transaction until it has ensured the fair treatment for all clients.

### **LGIM**

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. In place of providing a direct response, LGIM referred the Trustees to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here: <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-conflicts-of-interest.pdf>

### **M&G**

M&G have confirmed that they are not affected by the above conflicts of interest across the firm and within the fund that the Scheme invests in. They also stated that they use all reasonable endeavours to identify conflicts of interest and then take steps to either avoid or manage them effectively to treat clients fairly.

### **Partners Group**

With regards to Partners' listed exposure, to the best of their knowledge, they are not affected by points 1, 3, 4 and 5. With regards to point 3, Partners Group's role as a private markets investor, with the primary approach of taking ownership stakes in various assets, it is common practice for senior members of the relevant investment teams to hold positions such as board seats. Partners group see this as extending their stewardship activities, where investment teams represent Partners Group and their clients who have entrusted them with managing their assets, playing a key role as an active owner. Quantum Advisory deemed that this is appropriate for this asset class and the Trustee is satisfied with their conclusion.

## Appendix 1 – Investment manager voting policies and procedures

### **BNYM/ Newton**

Newton's head of responsible investment ("RI") is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. They do not maintain a strict proxy voting policy. Instead, Newton prefer to consider a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, they may confer with the company or other interested parties for further clarification, to reach a compromise, or to achieve a commitment from the company.

Newton employ a variety of research providers that aid the vote decision-making process, including proxy advisors such as ISS. They utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

For the avoidance of doubt, all voting decisions are made by Newton. It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ISS) will take precedence. It is also only in these circumstances when they may register an abstention given their stance of either voting in favour or against any proposed resolutions.

Newton take an active and investment led approach to sustainable investments and ESG considerations. Rather than producing separate ESG portfolios Newton consider material ESG related risks as a part of their multidimensional research approach as a whole. Newton actively engage with the management of their investments and produce quarterly reports detailing their meetings, regarding how these companies identify and manage their ESG risks. These risks are also an important consideration in Newton's investment in fixed-income securities, as ESG factors can affect an issuers ability to fulfil its obligation to pay its coupon and principal, to which investors are entitled.

### **Insight**

Insight Investment's philosophy and approach towards responsible investment places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making. Insight has a responsible investment policy to include a corporate conduct statement (outlining what is expected from corporates in which it invests) and has sovereign ESG impact ratings to evaluate how countries are aligned with the UN Sustainable Development Goals. This approach is taken across Insight's funds. Please note, however, for the Insight Enhanced Selection funds they do not engage in any specific ESG stewardship policies as they invest in UK Government Gilts or Swaps. Quantum believes this is reasonable given their underlying investments.

### **LGIM**

LGIM have a proven track-record of being active owners; striving to use their scale to ensure that the companies in which they invest are acting responsibly and markets / regulators create an environment in which good management of ESG factors are valued and supported. Although LGIM tend to focus on equity stewardship, LGIM also extends its ESG analysis and engagement policies to its active fixed income investments. LGIM aims to incorporate ESG considerations to assess ESG risks from a financial perspective and LGIM also engages with issuer companies through its global engagement groups. Please note, however, this approach does not extend to the Scheme's UK Government Bond holdings as these are invested passively. Quantum believes this is reasonable given their underlying investments.

For Equity holdings, LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's 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.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' proxies. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

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. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

## **M&G**

M&G aim to systematically include the consideration of ESG capabilities into investment analysis and decision making in all asset classes on an iterative and continuous basis, as they believe ESG issues can significantly impact investment outcomes. For this reason, they explicitly and systematically include ESG issues in investment analysis and investment decisions, where these are expected to be meaningful to risk and potential return. M&G therefore considers a range of materiality frameworks including those set out by the Sustainability Accounting Standards Board.

## **Partners Group**

Partners strive to use their scale to ensure that the companies in which they invest are acting responsibly. To achieve this objective, Partners exercise their governance rights to work with companies on areas where ESG changes can add and protect value.

The ESG and Sustainability directive divides its practice into two main segments: the decision-making process and the ownership process. In terms of the decision-making process, the company highlights how it reviews sustainable trends, excludes certain segments (including Tobacco and Defence), performs due diligence and considers the impact of its direct investments. In terms of the ownership process, Partners monitors ESG risks, engages with companies on ESG issues, and manages any conflicts of interest as they arise.

Where Partners' client accounts contain listed equity securities in dedicated programs/allocation buckets ("Liquid Private Markets investments") and Partners has discretion to vote on a proxy stemming from such securities (a "Proxy Request"), Partners will decide on such Proxy Requests to protect and promote the economic value of the securities held in such client accounts.

Proxy Requests related to Liquid Private Markets investments may be administered by third party service providers (currently, Glass Lewis). These service providers will follow Partners' Proxy Voting Directive in all instances. Should a voting recommendation by a service provider be against the recommendation by the respective company's management, Partners will vote manually on those proposals.

In certain circumstances, Partners receives Proxy Requests for publicly traded securities. When such Proxy Requests arise, the recipient, typically the respective investment team or Partners Guernsey serving as administrator, will forward it to be reviewed and evaluated by Transactions Services together with the relevant investment team and/or the relevant Investment Committee. Partners have a group form which seeks to ensure that all Proxy Requests, included in the broader term 'corporate actions', are reviewed and processed in a timely manner.



## Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme's investment managers has been reviewed by the Trustees through their investment adviser.

The Trustees have interpreted the most significant votes to mean their choice of votes from an extended list of votes provided by each of the investment managers which address the Trustees' specific stewardship priorities.

### Significant vote definitions

#### **BNYM/ Newton**

Newton's significant votes are drawn from a group which is above predetermined thresholds of number of A shares held and size of investment. Significant votes are defined as those that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders.

#### **LGIM**

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the PLSA guidance. 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.

#### **Partners Group**

In determining its most significant votes, Partners consider the size of the holdings in relation to the Fund itself.

## BNY Mellon Sustainable Real Return Fund

Company Name	Universal Music Group NV	The Goldman Sachs Group, Inc.
<b>Date of vote</b>	May 2024	April 2024
<b>Summary of the resolution</b>	Re-elect Bill Ackman as Non-Executive Director	Report on Clean Energy Supply Financing Ratio
<b>Size of the holding (% of portfolio)</b>	Undisclosed	0.9
<b>How the firm voted</b>	Against	For Shareholder Proposal
<b>Was the vote against management and was this communicated beforehand?</b>	Vote was against management and was not communicated beforehand.	Vote was against management and was not communicated beforehand.
<b>On which criteria has the vote been deemed as 'significant'?</b>	BNYM highlighted this vote as significant as they expect to continue recognising their fundamental governance concerns through voting and engagement activities.	BNY consider this vote as significant owing to the rarity of a shareholder proposal receiving significant support.
<b>Outcome of the vote</b>	The vote passed.	The vote did not pass.
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	BNYM will continue to engage with the company and monitor progress.	BNY have stated that they will continue to engage with the bank to try and make their climate transition plan more robust.

Source: Newton.

**LGIM FTSE TPI Global Fossil Fuel Exclusions Equity Index Fund – GBP Hedged Fund**

<b>Company Name</b>	<b>Bank of America Corporation</b>	<b>Alphabet Inc.</b>
<b>Date of Vote</b>	April 2024	June 2024
<b>Summary of the resolution</b>	Report on Clean Energy Supply Financing Ratio	Elect Director John L. Hennessy
<b>Size of the holding (% of portfolio)</b>	0.4	2.0
<b>How the firm voted</b>	For shareholder proposal	Against
<b>Was the vote against management and was this communicated beforehand?</b>	<p>The vote was against management. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</p> <p>LGIM do not engage with its investee companies during the three weeks prior to AGM's.</p>	<p>The vote was against management. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</p> <p>LGIM do not engage with its investee companies during the three weeks prior to AGM's.</p>
<b>On which criteria has the vote been deemed as 'significant'?</b>	<p>This shareholder resolution is considered significant as LGIM believes that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects companies to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies.</p>	<p>LGIM considers this vote significant as it pertains to two of their key stewardship 'sub-themes' i.e. diversity and One Share One Vote.</p>
<b>Outcome of the vote</b>	The vote did not pass.	The vote passed.
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	<p>LGIM will continue to engage with the company and monitor progress.</p>	

Source: LGIM.

### LGIM Dynamic Diversified Fund

Company Name	Shell Plc	Microsoft Corporation
<b>Date of vote</b>	May 2024	December 2023
<b>Summary of the resolution</b>	Approve the Shell Energy Transition Strategy	Elect Director Satya Nadella
<b>Size of the holding (% of portfolio)</b>	0.3	0.6
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	The vote was against management. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.	The vote was against management. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.
<b>On which criteria has the vote been deemed as 'significant'?</b>	LGIM is publicly supportive of "Say on Climate" votes, and expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.
<b>Outcome of the vote</b>	The vote passed.	The vote passed.
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage with the company and monitor progress.	

Source: LGIM.

### Partners Group Generations Fund

Partners Group own/control the majority of companies held in the portfolio. Therefore, Partners Group provided examples of specific portfolio companies ESG efforts as they felt this was more appropriate (instead of providing example of significant votes for the listed equity holdings). Two examples are set out below.

Company Name	Breitling	Gren
<p><b>Summary of the company's efforts</b></p>	<p>The company is focused on improving working environments for its employees by acting on equal pay and providing training, coaching, and volunteering opportunities. It has received recognition for its efforts in these areas with awards such as the "Top Employer – Certified Excellence in Employee Conditions" award for Switzerland and the global "Universal Fair Pay" award for equal pay.</p>	<p>Gren is a leading Northern European green energy company that provides sustainable heating, cooling, and electricity across Estonia, Latvia, Lithuania, Finland, and the UK. The company's investment aligns with Partners Group's thematic investing and decarbonization approach.</p> <p>The company aims to reduce GHG emissions by at least 50% by 2035 and is working towards 100% sustainably sourced biomass by 2025. Gren is also developing EV charging infrastructure at its European facilities.</p>
<p><b>Stewardship area</b></p>	<p>Governance</p>	<p>Environmental</p>

Source: Partners Group.