

# Cardiff University Pension Fund – Implementation Statement for the year ending 31 July 2022

## 1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies as set out in the Cardiff University Pension Fund's (the "Scheme's") Statement of Investment Principles ("SIP") have been complied with for the year ending 31 July 2022. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. These include the exercise of rights (including voting) and undertaking of engagement activities in respect of the Scheme's investments. In addition, this Statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## 2. Background

Under the regulatory requirements now in force, Trustees of Occupational Pension Schemes must state their policy on the exercise of the rights attaching to the investments, and on undertaking engagement activities in respect of the investments. Trustees are also required to report on how, and the extent to which, they have followed this policy and on significant votes.

This Statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

This Statement has been prepared by the Trustees, with the assistance of their Investment Adviser (Quantum Advisory).

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:

- Reviewed the investment strategy.
- Through their investment advisers, reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content that the Scheme's investment managers have appropriately carried out their stewardship duties.
- Are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP.
- 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.

The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees believe there is less scope to influence the practices within such arrangements.

## 4. Reviews of the SIP over the Scheme year

The Trustees confirm that:

- The SIP was updated during the Scheme year in December 2021 to incorporate the changes to the Scheme's investment strategy and to detail how members can express their views on non-financial matters.
- The SIP will be reviewed in future, to ensure any amendments to the investment policy resulting from a review of investment strategy or changes in regulation are reflected. The Trustees will seek advice from the Investment Adviser on the SIP and the suitability of the investments.

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

### Trustees' voting and stewardship policies

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

The Trustees are unable to direct how votes are exercised and have not used a proxy voting services provider over the year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions.

As part of this exercise, the Trustees, through their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds. This is to ensure that investment managers engage in voting behaviour that is consistent with the Scheme's stewardship priorities as set out in the SIP.

Over the scheme year, the voting activities of the following funds have been reviewed:

- BNY Mellon Real Return Fund
- LGIM Dynamic Diversified Fund
- LGIM World Equity Index – GBP Hedged Fund
- M&G Episode Allocation Fund
- Partners Group Generations Fund

### Managers voting and stewardship policies and procedures

Details of the managers voting and stewardship policies are set out in Appendix 1. In this review, the extent to which the investment managers make use of any proxy advisory and voting services was reviewed, in addition to the alignment to the Scheme's stewardship priorities. The Trustees, through their investment advisor, are satisfied that the voting and stewardship policies and procedures of the investment managers were aligned with the Scheme's stewardship priorities over the Scheme year.

## Voting statistics

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

Statistic	BNY Mellon Real Return Fund	M&G Episode Allocation Fund	LGIM World Equity Index – GBP Hedged Fund <sup>2</sup>	LGIM Dynamic Diversified Fund <sup>2</sup>	Partners Generations Fund <sup>2</sup>
Number of equity holdings	68	N/A <sup>1</sup>	2,632	6,905	71
Meetings eligible to vote at	85	13	3,156	9,483	72
Resolutions eligible to vote on	1,385	227	38,574	97,704	1,009
Proportion of eligible resolutions voted on (%)	100.0	96.9	99.8	99.8	100.0
Votes with management (%)	88.4	91.8	79.0	77.7	95.5
Votes against management (%)	11.6	8.2	20.3	21.6	2.4
Votes abstained from (%)	0.0	0.0	0.7	0.7	2.1
Meetings where at least one vote was against management (%)	44.0	58.0	75.1	71.3	23.6
Votes contrary to the recommendation of the proxy adviser (%)	10.0	4.6	14.3	12.9	0.9

Source: Scheme’s underlying investment managers. <sup>1</sup>Please note that, as at the date of this report, this information was unavailable. <sup>2</sup>Please note LGIM only report voting information on a quarterly basis and Partners Group semi-annually. Both have therefore been provided as at 30 June 2022.

The Trustees are generally satisfied with the level of voting activity that has been undertaken.

### Significant votes over the reporting year

The Trustees, through their investment advisers, reviewed the significant votes cast by the investment managers and assessed these votes against the Scheme’s stewardship priorities. Where the managers significant votes do not align with the Scheme’s stewardship priorities the managers voting behaviour will be queried.

The Trustees have interpreted “most significant votes” to mean their choices from a list of “most significant votes” provided by each of the investment managers following the PLSA guidance.

Where possible, the Trustees, through their Investment Advisor, have selected significant votes which incorporate financially material ESG factors. Votes have also been selected, where possible, to include

different ESG considerations. The Scheme's classification of a significant vote generally aligned with the funds reviewed over the Scheme year.

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

## 6. 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 manage the BNY Mellon RRF.

Newton have confirmed that they were not affected by any conflicts of interest within the Fund over the Scheme year. The Fund was previously subject to conflicts arising from points 1 and 4 of the above list due to a position within an investee company during the previous Scheme year. This position was sold in Q3 2020 and consequently there were no conflicts of interest over the period considered.

### **LGIM**

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. This refusal for a direct comment on the selected funds was raised by Trustees. 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/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=> The Trustees have received a copy of the conflicts of interest policy.

### **M&G Investments**

M&G confirmed there were no conflicts of interest over the period.

M&G also released a conflicts of interest disclosure policy which highlights potential sources of conflicts within the firm and how these are managed. This is broken down into a variety of different categories and provides a robust document for the company to reference.

This document can be found here:

<https://www.mandg.co.za/media/31857/conflict-of-interest-policy.pdf>

### **Partners Group**

With regards to Partners Group's listed exposure, to the best of their knowledge, they are not affected by points 1, 3, 4 and 5. With regards to point 2, Partners Group noted that for direct investments in private equity and private infrastructure, they typically look to acquire companies where they have a majority equity position, and control of that business (70-90%+ equity). With this, Partners Group appoint their senior employees (such as senior investment professionals) to take positions on the boards of the companies. In addition, Partners Group would also appoint operating Directors. The Trustees are of the view this is appropriate for this asset class.

## 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 in 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.

### **LGIM voting policies and process**

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' shares. 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**

An active and informed voting policy is an integral part of M&G's investment philosophy. In their view, voting should never be divorced from the underlying investment management activity. By exercising their votes, they seek both to add value to their clients and to protect their interests as shareholders. M&G considers the issues, meets the management if necessary, and votes accordingly. M&G use research provided by ISS and the Investment Association; and the ProxyExchange platform from ISS for managing their proxy voting activity.

### **Partners Group voting policies and process**

Where Partners Group's client accounts contain listed equity securities in dedicated programs/allocation buckets ("Liquid Private Markets investments") and Partners Group has discretion to vote on a proxy stemming from such securities (a "Proxy Request"), Partners Group 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 Group's 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 Group will vote manually on those proposals.

In certain circumstances, Partners Group receives Proxy Requests for publicly traded securities. When such Proxy Requests arise, the recipient, typically the respective investment team or Partners Group 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 Group 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.

### BNY Mellon Real Return Fund

Company Name	Alphabet Inc.	Bayer AG
<b>Date of vote</b>	01-Jun-22	29-Apr-22
<b>Summary of the resolution</b>	Report on Community – Environment impact	Ratify Named Executive Officers' Compensation
<b>Stewardship priority</b>	Environmental	Corporate governance
<b>Size of the holding (% of portfolio)</b>	1.0	1.1
<b>How the firm voted</b>	For shareholder proposal	Against management
<b>Was the vote against management and was this communicated beforehand?</b>	Against management and was not communicated beforehand	Against management and was not communicated beforehand
<b>On which criteria has the vote been deemed as 'significant'?</b>	Alignment with the Scheme’s stewardship priorities in relation to environmental factors. This is because this vote relates to community-based water risk, as the company committed to replenish watersheds around its offices and data centres and increased disclosure would insure investors can assess this progress.	Alignment with the Scheme’s stewardship priorities in relation to corporate governance. This is because the vote relates to the executive compensation, where executive compensation does not completely align with company performance.
<b>Outcome of the vote</b>	Fail	Fail
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	Newton did not provide a specific comment but they will continue to engage with investee companies and monitor company and market-level progress	Newton did not provide a specific comment but they will continue to engage with investee companies and monitor company and market-level progress

Source: Newton.



### LGIM Dynamic Diversified Fund

Company Name	Apple Inc.	Microsoft Corporation
Date of vote	Mar-22	Nov-21
Summary of the resolution	Report on Civil Rights Audit	Elect Director Satya Nadella
Stewardship priority	Social	Corporate Governance
Size of the holding (% of portfolio)	0.4	0.4
How the firm voted	For	Against
Was the vote against management and was this communicated beforehand?	Management recommendations not provided but all votes are not communicated to management beforehand.	Management recommendations not provided but all votes are not communicated to management beforehand.
On which criteria has the vote been deemed as 'significant'?	Alignment with the Scheme's stewardship priorities in relation to social factors. This is because the vote relates to increased reporting on civil rights and diversity.	Alignment with the Scheme's stewardship priorities in relation to corporate governance. This is because the vote relates to the separation of the Chair and the CEO functions for risk management and oversight purposes.
Outcome of the vote	Pass	Pass
Does the trustee/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.

Source: LGIM.

### LGIM World Equity Index – GBP Hedged Fund

Company Name	Meta Platforms, Inc.	NVIDIA Corporation
<b>Date of Vote</b>	May-22	June-22
<b>Summary of the resolution</b>	Require Independent Board Chair	Elect Director Harvey C. Jones
<b>Stewardship priority</b>	Corporate Governance	Social
<b>Size of the holding (% of portfolio)</b>	0.8	0.7
<b>How the firm voted</b>	For	Against
<b>Was the vote against management and was this communicated beforehand?</b>	Against management recommendation. All votes are not communicated to management beforehand.	Management recommendations not provided but all votes are not communicated to management beforehand.
<b>On which criteria has the vote been deemed as 'significant'?</b>	Alignment with the Scheme's stewardship priorities in relation to corporate governance. This is because the vote relates to the separation of the Chair and the CEO.	Alignment with the Scheme's stewardship priorities in relation to social factors. This is because there the vote is in support of gender diversity and increased female representation on the board.
<b>Outcome of the vote</b>	Fail	Pass
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.

Source: LGIM.

### M&G Episode Allocation Fund

Company Name	Wells Fargo & Company	JP Morgan Chase & Co.
<b>Date of Vote</b>	26-Apr-22	17-May-22
<b>Summary of the resolution</b>	Report on Respecting Indigenous Peoples' Rights	Report on Absolute Targets for Financed GHG Emissions in Line with Net Zero Commitments
<b>Stewardship priority</b>	Social	Environmental
<b>Size of the holding (% of portfolio)</b>	Not provided	Not provided
<b>How the firm voted</b>	For shareholder proposal	For shareholder proposal
<b>Was the vote against management and was this communicated beforehand?</b>	Against management and was not communicated beforehand.	Against management and was not communicated beforehand.
<b>On which criteria has the vote been deemed as 'significant'?</b>	Alignment with the Scheme's stewardship priorities in relation to social factors. This is because this vote relates to increased disclosure on the company's regard to the rights of indigenous people.	Alignment with the Scheme's stewardship priorities in relation to environmental factors. This is because the vote relates to increased disclosure on emissions targets to allow investors to more accurately monitor progress.
<b>Outcome of the vote</b>	Fail	Fail
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	M&G did not provide a specific comment but they will continue to engage with investee companies and monitor company and market-level progress.	M&G did not provide a specific comment but they will continue to engage with investee companies and monitor company and market-level progress.

Source: M&G.

### Partners Group Generations Fund

Partners Group did not provide details of votes undertaken as a result of the equity holdings not constituting a large enough size of the fund. However, Partners were able to provide examples of portfolio company's ESG efforts. Two examples are provided below.

Company Name	VSB Renewables Platform	Civica
<b>Summary of the company's efforts</b>	<p>VSB Goes Green Initiative</p> <p>The company seeks to improve the alignment of business units and its employees with the company's climate friendly nature. One of the initiatives included assessing Scope 1 and Scope 2 emissions with the support of an external advisor. One of the essential aims of these initiatives for VSB is to reduce its carbon footprint.</p>	<p>Following the rise in COVID-19 cases in India, Civica increased its assistance in the region, including support for BAPS Shri Swaminarayan Mandir, which has established a dedicated, 500-bed hospital to provide medical assistance to the people of Vadodara. Civica also raised funds to support the setup of an intensive care unit to ensure patient access to ventilators, oxygen, food and medicine, while directly funding the purchase of patient monitors.</p>
<b>Stewardship priority</b>	Environmental	Social
<b>On which criteria does this align with the Scheme's priorities?</b>	<p>Alignment with the Scheme's stewardship priorities in relation to environmental factors. This is because this relates to assessing emissions and improving the company's carbon footprint.</p>	<p>Alignment with the Scheme's stewardship priorities in relation to Social factors. This is because this relates to establishing support for local communities in relation to the Coronavirus pandemic. This is especially important for emerging markets.</p>
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	<p>Partners Group will continue to engage proactively with invested companies in relation to ESG factors, promoting positive changes within investee companies.</p>	<p>Partners Group will continue to engage proactively with invested companies in relation to ESG factors, promoting positive changes within investee companies.</p>

Source: Partners Group.