

Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies contained within the Trustee's Statement of Investment Principles (SIP) dated 28 September 2020 have been implemented. The SIP provides further background details on the Scheme's investment arrangements, and this should be read in conjunction with the Trustee's Chair's Statement dated 29 September 2020.

This Statement covers the period 1 April 2020 to 31 March 2021.

Money Purchase benefits and underpins

The Scheme holds a small amount of money purchase assets (less than £80,000), which are a result of former protected rights benefits in respect of c.180 members. Separately, members' benefits that are determined by a defined benefit formula based on length of service and pay have a money purchase underpin attaching to them. In practice, the Trustee expects that these underpins are unlikely to bite for any members.

The Scheme does not operate default investment arrangements within the meaning of the Pensions Act 2008. For this reason, the Trustee believes that the disclosures required in relation to default investment arrangements are not applicable to this Statement.

The value of the money purchase benefits and underpin is determined by notional units in an 'investment fund' which is calculated based on the weighted unit price of the total Scheme assets, therefore there is no fund range or member choice to consider. Therefore, this Statement focuses on the defined benefit assets. More details can be found in the Chair's Statement available online at www.sussex.ac.uk/humanresources/payrollandpensions.

Investment manager and funds in use

The investment funds used are set out in the table below, which are all managed by Legal & General Investment Management (LGIM).

Asset Class	Fund	Target Asset Allocation
UK equities	LGIM UK Equity Index	17.0%
Global equities	LGIM North America Equity Index	8.0%
Global equities	LGIM North America Equity Index – GBP Currency Hedged	8.0%
Global equities	LGIM Europe (ex UK) Equity Index	3.0%
Global equities	LGIM Europe (ex UK) Equity Index – GBP Currency Hedged	3.0%
Global equities	LGIM Japan Equity Index	2.5%
Global equities	LGIM Asia Pacific (ex Japan) Equity Index	2.5%
Global equities	LGIM World Emerging Markets Equity Index	6.0%
Corporate bonds	LGIM Maturing Buy & Maintain Credit Funds	20.0%
Government bonds	LGIM All Stocks Index-Linked Gilts Index	30.0%
Total		100.0%

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Strategy Review

There have been no changes to the investment manager or target asset allocation over the year.

Scheme Governance

The Trustee board is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustee's investment consultant.

The Trustee does not actively obtain views of the membership of the Scheme to help form the policies set out in the SIP as the Trustee's primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective. In addition, the Scheme is comprised of a diverse membership, which the Trustee expects to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

There were no changes to the objectives put in place for Broadstone since their appointment on 12 August 2020. The Trustee is due to formally review these objectives by November 2022, or earlier if required.

There were no changes to the investment management agreement with LGIM during the year.

Trustee Knowledge and Understanding

The Trustee board has the appropriate knowledge and understanding to ensure its policies on financially and non-financially material considerations, as well as engagement and voting activities, are and remain appropriate for the Scheme. The Trustee has developed its knowledge and understanding over the year, and further details are set out in the Chair's Statement covering the period to 31 March 2021.

Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in September 2020, which was updated to comply with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The SIP also confirms Broadstone as the Scheme's investment consultant.

The Trustee has a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustee's policies on financially and non-financially material considerations, during the year.

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Policy on financially and non-financially material considerations

Trustee's Policy: The Trustee believes that environmental, social and corporate governance issues including the impact of, and potential policy response to, climate change can be financially material to long-term investment portfolios and should therefore be considered as part of the Scheme's investment process. Having also considered non-financial matters, and acknowledging that these are potentially important, given the pooled fund nature of the Scheme's investment arrangements the Trustee acknowledges that it cannot directly influence the selection, retention and realisation of investments. It is recognised that pooled funds represent the most practical approach, given the size of the Scheme's assets, and that these will be governed by the individual policies of the investment manager.

The Scheme's equity investments are managed on a passive index-tracking basis via pooled funds, i.e. the funds aim to track the relevant regional equity market index, which is in contrast to an actively managed approach where an investment manager can be more selective about the individual companies that it chooses to invest in. Therefore, for passive index-tracking funds, the investment manager has little flexibility other than to invest in the equity of the businesses in the proportion that they make up the appropriate underlying index. The Trustee believes that the passive index-tracking approach is appropriate and reflects its preference for a relatively low cost, low governance and simple approach to investing in equities.

However, the investment manager is recognised as a market leader in the areas of ESG and engaging with businesses, and through its engagement activities, including voting, the investment manager encourages all of its investee companies to incorporate appropriate sustainability and ESG (including climate change risk) policies into their corporate strategies. The investment manager has a separate dedicated ESG and engagement team which ensures that their approach to ESG is consistently applied throughout the firm and across all of the businesses in which it invests.

The Scheme's investment in pooled corporate bond funds is managed on a semi-active basis, and the investment manager takes into account ESG factors, and the potential financial impact of these, within its investment process for the selection, retention and realisation of investments. The Trustee acknowledges that as bond holders the investment manager will not typically have as much influence on a business as an equity holder, for example, bond holders are unlikely to have voting rights.

The investment manager produces regular reports on its activities in the area of ESG, including the initiatives it takes to influence companies and market participants (including governments and regulators).

Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the investment manager. The Trustee expects the extent to which the investment manager monitors capital structure to be appropriate to the nature of the mandate.

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy.

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There have been no changes to the Trustee’s policy, nor any departures from its policy, during the year.

The Trustee notes that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustee is satisfied that the funds currently invested in by the Scheme are managed in accordance with its views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

The Trustee has access to updates on governance and engagement activities by the investment manager, and input from the investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustee acknowledges that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to its investment manager, given they are investing in pooled funds.

A summary of the Trustee’s views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Equities	Passive	The Trustee acknowledges that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if it has concerns relating to ESG. The Trustee does expect the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Corporate bonds	Active	The Trustee expects the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Government bonds	Passive	The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

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Policy on the exercise of voting rights and engagement activities

Trustee's Policy: *The Trustee believes that good stewardship can enhance long-term portfolio performance and is therefore in the best interests of the Scheme's beneficiaries and aligned with fiduciary duty.*

Given that the Scheme's investments are in pooled funds, the investment manager is responsible for the exercising of rights (including voting rights) and stewardship obligations related to the Scheme's investments, and the Trustee encourages the manager to exercise those rights.

The Trustee expects its investment manager to monitor investee companies and engage with management on all relevant stewardship matters.

In the Trustee's view, the investment manager takes its engagement responsibilities seriously, and encourages best practice in this area. The investment manager's dedicated engagement team ensures that their engagement policy is consistently applied across all of its investee companies. The manager engages in a broad number of areas, including ESG, diversity, remuneration, sustainability, Board composition, etc, and exercises its voting policy accordingly. The manager publishes regular reports detailing its engagement activities and voting records. The manager regularly votes against companies where it believes this is in its clients' best interests.

The Trustee expects the Scheme's investment manager to discharge its responsibilities in accordance with the principles of the Financial Reporting Council's 2012 UK Stewardship Code ("the Code") as updated, as far as it is able. The manager reports on the extent of their adherence to the Code, alongside their broader stewardship activities on at least an annual basis

There have been no changes to the Trustee's policy, nor any departures from its policy, during the year. In particular, all voting activities have been delegated to the investment manager, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

The Trustee currently invests in pooled investment funds with the investment manager, and it acknowledges that this limits the ability to directly influence the investment manager.

However, the Trustee meets with LGIM periodically to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustee. As a result, the Trustee has a greater understanding of LGIM's approach to ESG and has established regular activity reporting, including a summary of voting.

To complement this monitoring, the Trustee receives stewardship and governance reports from LGIM on a quarterly basis.

Within the current investment arrangements, the equity funds contain equity holdings, and therefore have voting rights attached. LGIM use a third party proxy voter to implement their voting policies when exercising voting rights. The third party proxy voter used is confirmed in the table below.

The Trustee has delegated engagement activities to its investment manager, and LGIM reports to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings. A summary of the latest available voting data made by the investment manager from 1 April 2020 to 31 March 2021 on behalf of the Trustee is provided in the table below.

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Pooled Fund	Third Party Proxy Voter	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
LGIM UK Equity Index	ISS	12,574	93%	7%	0%
LGIM North America Equity Index	ISS	9,495	72%	28%	0%
LGIM North America Equity Index – GBP Hedged	ISS	9,495	72%	28%	0%
LGIM Europe (ex UK) Equity Index	ISS	11,399	84%	15%	1%
LGIM Europe (ex UK) Equity Index – GBP Hedged	ISS	11,399	84%	15%	1%
LGIM Japan Equity Index	ISS	6,518	86%	14%	0%
LGIM Asia Pacific (ex Japan) Equity Index	ISS	3,774	74%	26%	0%
LGIM World Emerging Markets Equity Index	ISS	35,996	85%	14%	1%

The Trustee has requested details of the significant votes and engagement activities made on behalf of the Trustee. Details of some significant votes and engagement activities are provided below:

- LGIM voted in favour of a resolution for Proctor & Gamble to report on their efforts to eliminate deforestation, as part of LGIM's five-year strategy to tackle climate change. P&G set a goal for 100% of the raw material palm oil to be from sustainable sources, but has only achieved one third, whilst suppliers have also been linked to illegal deforestation, a key driver of climate change. LGIM has asked P&G to respond to the concerns raised and continue to engage on the topic, and will monitor P&G's disclosure for improvement.
- LGIM engaged with International Consolidated Airline Group who were negatively impacted by the COVID-19 crisis and as a result took up governmental support packages and cut 30% of its workforce. LGIM were concerned about the high level of bonus payments proposed, which are 80% to 90% of salary for current executives, and voted against the resolution in September 2020. LGIM considers this vote significant as it illustrates the importance for investors of monitoring investee companies' responses to the COVID-19 crisis.
- A new report from ShareAction, a non-governmental organisation looking at resolutions related to human rights and diversity during the 2020 proxy voting season, highlighted LGIM as a top supporter. LGIM voted in favour of 100% of the resolutions relating to human rights and diversity, taking voting action against companies falling below their minimum standards on ESG issues.

The Trustee is comfortable with the investment manager's approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor. The Trustee also considers the investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

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Monitoring of Investment Arrangements

In addition to any reviews of the investment manager or its approach, and direct engagement with the investment manager (as detailed above), the Trustee receives performance reports on a quarterly basis from LGIM to ensure the investment objectives set out in the SIP are being met.

Signed: Chris Crook

Date: 16 September 2021

On behalf of the Trustee of the University of Sussex Pension & Assurance Scheme