

Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies within the Trustee's Statement of Investment Principles (SIP) dated 8 August 2022 have been implemented.

It also includes the Trustee's voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2022 to 31 March 2023.

The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustee's Chair's Statement covering the same period.

Investment objectives of the Scheme

The objectives of the Scheme are set out from page 1 of the SIP. The Trustee's primary objectives are as follows:

- To ensure that it can meet its obligation to the beneficiaries of the Scheme; and
- To pay due regard to the Employer's interest in the size and incidence of contribution payments.

Stewardship policy

The Trustee's stewardship policy, as set out in the SIP is as follows.

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.

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Review of the SIP

The Trustee reviewed the SIP during the year to take account of its revised investment objectives and an update to the long-term strategic benchmark allocation.

The Trustee then subsequently amended the Scheme's investment strategy during the year covered by this Statement and it is in the process of revising the Scheme's equity allocation. A new SIP will be agreed to reflect these changes and the outcome of a current review of the Scheme's index-linked gilt allocation.

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.

The Trustee's policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP in force during the year.

Investment managers and funds in use

The investment funds used at year-end 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	UK Equity Index	
Global equities	North America Equity Index	
Global equities	North America Equity Index - GBP Hedged	
Global equities	Europe (ex-UK) Equity Index	5.0%
Global equities	Europe (ex-UK) Equity Index - GBP Hedged	
Global equities	Japan Equity Index	
Global equities	Asia Pacific (ex-Japan) Developed Equity Index	
Global equities	World Emerging Markets Equity Index	
Government bonds	All Stocks Index-Linked Gilts Index	60.0%
Corporate bonds	Maturing Buy & Maintain Credit 2020-2024	6.5%
Corporate bonds	Maturing Buy & Maintain Credit 2025-2029	16.7%
Corporate bonds	Maturing Buy & Maintain Credit 2030-2034	11.9%
Cash	Cash Fund	0.0%

Following the end of the period covered by this Statement, the Trustee agreed to switch the Scheme's equity funds into the LGIM ESG Paris Aligned World Equity Index Fund.

Investment 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 their 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.

The Trustee has put in place strategic objectives for Broadstone, as the Trustee's investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

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These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in December 2019, and were reviewed in November 2022.

The investment arrangements of the Scheme are reviewed by the Trustee on a quarterly basis, with the assistance of Broadstone.

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, continue to 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 2023.

Trustee Policies

The table below sets out how, and the extent to which, the policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>The Trustee has adopted the following control framework in structuring the Scheme's investments subject to the overriding constraint that, at the total Scheme level, the expected level of risk is consistent with that detailed in the SIP:</p> <ul style="list-style-type: none"> • All other things being equal there is a preference to invest via pooled funds. • At the total Scheme level, and within the pooled funds, investments should be broadly diversified to ensure there is not a concentration of investment with any one issuer. • Investment in illiquid investments, such as property or pooled property funds, may be held. • Borrowing is not permitted except as to cover short term liquidity requirements. 	No deviation from this policy over the year to 31 March 2023
Balance of Investments	<p>The Trustee will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustee's view of the employer covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.</p>	No deviation from this policy over the year to 31 March 2023
Delegation to Investment Manager	<p>The Trustee will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.</p> <p>The Trustee makes disinvestments from the Investment Manager with the assistance of their administrators and advisors, as necessary, to meet the Scheme's cashflow requirements.</p>	No deviation from this policy over the year to 31 March 2023

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Funds and Strategies	See Investment managers and funds in use section above.	A de-risked investment strategy was implemented in December 2022. The equity allocation is currently being revised by the Trustee and the SIP will be amended to reflect any agreed changes.
Maintaining the Target Asset Allocation	<p>The Trustee, together with its investment consultant, is currently responsible for monitoring the Scheme's asset allocation relative to the benchmark allocation and control ranges. If necessary, the Trustee will take action to rebalance the Scheme's assets where one, or more, of the control ranges are breached, such that the resulting distribution is as close as practicable to the central benchmark. In practice, this process may be automated with the Scheme's investment manager.</p> <p>The overall allocation to equities was subject a control range such that any rebalancing would only involve a switch from equities to bonds. The Trustee will determine the appropriate fund(s) to receive the proceeds from any rebalancing, which will typically be implemented on an automated basis by the investment manager.</p> <p>Where appropriate, the investment manager will apply cash flows so as to manage the actual asset allocation in line with the Scheme's benchmark allocation.</p>	The rebalancing arrangements were suspended as part of the de-risking activity that was carried out in late 2022. The Trustee is reviewing the rebalancing arrangements and the SIP will be amended to reflect changes agreed.
Performance Benchmarks and Objectives	Performance benchmarks and objectives, and the monitoring of these benchmarks and objectives are set out on page 10 of the SIP.	The performance benchmarks and objectives were reviewed over the year to 31 March 2023
Investment Management Charges	The investment management charges of the funds used are set out on page 12 of the SIP.	No deviation from the management charges over the year to 31 March 2023
Financially and Non-Financially Material Considerations	<p>The Trustee recognises that Environmental, Social and Governance (ESG) issues can be financially material to long-term investment portfolios and should therefore be considered as part of the Scheme's investment process.</p> <p>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.</p>	No deviation from this policy over the year to 31 March 2023 (see below)
Voting Rights and Engagement	Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustee can therefore only influence engagement and voting policy indirectly.	No deviation from this policy over the year to 31 March 2023 (see below)

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The Investment Manager provides, on request, information to the Trustee on their actions in relation to engagement and use of voting rights. The Trustee is therefore aware of the policies adopted by the Investment Manager.		
Additional Voluntary Contributions (AVCs)	Under the terms of the Trust Deed, the Trustee is responsible for the investment of AVCs paid by members. The AVCs are held within the main Scheme assets, as members pay a specified contribution in return for a defined benefit payable from the Scheme. These AVCs are not separately ring-fenced.	No deviation from this policy over the year to 31 March 2023

Financially and non-financially material considerations

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.

As noted above, following the end of the period covered by this Statement, the Trustee agreed to switch the Scheme's equity funds into the LGIM ESG Paris Aligned World Equity Index Fund, which it believes is more aligned to the Trustee's and University's beliefs and policies on climate change and ESG issues.

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.

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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.

The Trustee invests across a range of asset classes and styles. The Trustee expects the investment manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

Voting rights and engagement activities

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. 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's stewardship policy is detailed at the start of this document although this has not been shared with the investment manager to influence what they believe to be the most significant votes.

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, ISS, to implement their voting policies when exercising voting rights.

These funds have voting rights attaching to the underlying equities, and the Trustee has delegated these voting rights to LGIM, where LGIM sets its own voting policy. A summary of the votes made by LGIM from 1 April 2022 to 31 March 2023 on behalf of the Trustee for each fund currently used by the Scheme is provided in the table below. The manager was asked to provide voting data broken down into Environmental, Social and Governance categories. However, the manager has informed us that the data is not yet available in this format. The data in the table below is therefore provided at total fund level.

Fund	Approx % of Scheme assets	Resolutions voted on	Total Resolutions Voted:		
				Against	Abstained
UK Equity Index	1.7%	10,863	94%	6%	0%
North America Equity Index*	1.6%	8,493	-35%		0%
Europe (ex-UK) Equity Index*	0.7%	10,384	81%	19%	0%
Japan Equity Index	0.2%	6,267	-11%		0%
Asia Pacific (ex-Japan) Developed Equity Index	0.2%	3,590	71%	29%	0%
World Emerging Markets Equity Index	0.6%	36,476	-18%		2%

*Voting data is the same as for GBP hedged versions

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The Trustee has requested details of the significant votes made on behalf of the Trustee by LGIM. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (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.

Significant votes

The Trustee believes the following are the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1	
Company	Xiaomi Corporation
Date of vote	2 June 2022
Resolution	Elect Director Lei Jun
Why significant	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. A vote against has been applied because LGIM expects the Committee to comprise independent directors, a company to have at least one female on the board and a CEO not to hold too many external roles to ensure they can undertake their duties effectively.
Voting decision	Against
Manager comments	<i>"LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress."</i>
Vote outcome	99% For LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.

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SIGNIFICANT VOTE 2	
Company	BP Plc
Date of vote	12 May 2022
Resolution	Resolution to Approve Net Zero - From Ambition to Action Report
Why significant	It is important for companies, especially those in the Oil and Gas sector, to set a clear and credible climate transition strategy.
Voting decision	For
Manager comments	<i>"LG/M considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote."</i>
Vote outcome	89% For

SIGNIFICANT VOTE 3	
Company	Capricorn Energy Plc
Date of vote	1 February 2023
Resolution	Resolution to remove seven current directors of Capricorn from office
Why significant	Following numerous engagements with the company (see below), LGIM's concerns included governance, process, conflicts, future strategy, executive compensation, environmental risks and valuation.
Voting decision	For
Manager comments	<i>"The overall engagement demonstrates how LG/M's Investment Stewardship, Investment and Climate Solutions teams work together in pushing for a better financial and environmental outcome for stakeholders, and the outcome of the vote demonstrates the power of combined shareholder action."</i>
Vote outcome	99% For

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Engagement activities

The Trustee has also delegated engagement activities to LGIM. A notable engagement activity of the investment manager is provided below:

- **LGIM's** Investment Stewardship and Climate Solutions teams spoke directly with the management of Capricorn, a smaller-scale oil and gas company whose announcement of their intention to merge with other energy companies in 2022 raised some concerns about the company's governance and decision-making process. LGIM voiced their concerns about the first proposed transaction to African-based Tullow Oil, as it did not seem to advance the energy transition strategy for Capricorn's shareholders, in light of the increased exposure to oil prices and geographical risks. Additionally, LGIM believed that such a merger would have resulted in increased financial leverage and dramatically elevate climate transition risks. In further conversations with Capricorn, LGIM asked detailed questions about the process they had gone through in terms of deciding on this merger and whether other alternatives were considered. Nevertheless, despite mounting opposition from LGIM and other shareholders, Capricorn and Tullow initially proceeded with the merger before a decision was taken by Capricorn to abandon it, citing concerns about market conditions and external factors as the reason. A second merger proposal with NewMed, an Israeli-based natural gas producer, was met with rising suspicion and even less support than the first. LGIM met again with Capricorn to voice their concerns. As a result of these unpopular proposals, an Extraordinary General Meeting was called for shareholders to vote on a complete overhaul of the Capricorn Board of Directors. Following the EGM, the company announced the resignation of the seven directors and the proposal to merge with NewMed was terminated.

The Trustee believes that the most significant votes detailed above are aligned with the Scheme's stewardship priorities as detailed at the start of this document.

The Trustee also considers the investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

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.

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Signed: Chris crook
[Chris.crook \(Sep 22, 2023 10:11 GMT+1\)](#)

Date: 22 September 2023

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