University of Sheffield Pension Scheme Implementation Statement

August 2021

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1. Introduction

Background

The Trustee positively welcomes the increased attention to Environmental, Social and Governance (ESG) policies within pension scheme investment, as well as the drive towards wider engagement on scheme investments with members.

As part of this drive, the Department for Work and Pensions (DWP) is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises ESG factors as financially material, and all schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that trustee boards detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an implementation statement.

The Trustee has delegated certain investment responsibilities to a sub-committee. The Pension Fund Investment Sub-Committee (PFISC) is an advisory body set up by the Trustee in accordance with the Scheme's trust deed and rules to assist the Trustee in the discharge of its investment responsibilities. The role of the PFISC is to monitor and engage with the Scheme's investment managers on behalf of the Trustee. The PFISC does not have any decision-making powers and the Trustee retains all investment powers. Full details of the roles and responsibilities of the PFISC are detailed in its Terms of Reference. A glossary of key terms has also been included in Appendix C for your reference.

Statement of Investment Principles (SIP)

The Trustee last updated its SIP in September 2020 to cover:

- Policies for managing financially material considerations including ESG factors and climate change, and

- Policies on the stewardship of the investments.

The SIP can be found online at the following web address:

https://www.sheffield.ac.uk/finance/staff-information/mymoney/mypension/usps-frp

Implementation Statement

This Implementation Statement documents the ways in which the Trustee follows and acts on the principles outlined in the SIP. The statement covers the 12-month period to 31 March 2021 and includes:

- Actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP. This section also details any changes the Trustee has made to the investment strategy in the previous 12 months and the relevance of such changes to the agreed investment policies.

- The current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks.

- The extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in which they invest.

- Voting behaviour covering the reporting year up to 31 March 2021 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

Summary of key strategic changes undertaken over the Scheme reporting year

- There were no significant changes to the Scheme's strategy over the 12 months to 31 March 2021, following the strategy review undertaken across both Sections of the Scheme in 2019.

- During the reporting period, the loan facility in place between the Cash Balance Section ('CBS') and the Final Salary Section ('FSS') was repaid in full by disinvesting from the FSS' global equity holdings with Veritas. The repayment of this loan facility and the accumulation of previous contributions left c.£7.0m of excess cash in the CBS bank account. In November 2020, this excess cash was invested across the Section's holdings with LGIM equity, BlackRock and PIMCO to rebalance these mandates towards their strategic benchmark weights.

- The Trustee also continues to develop its formal ESG policy in conjunction with the views of the PFISC and the University. Post year end it was agreed for Isio to run an ESG Beliefs session in order to establish the views of the Trustee in relation to ESG and to formalise these so they are reflected in the Scheme's policy and investment strategy. Formal details on this will be provided separately and included in next year's Implementation Statement.

Adopted by the Trustee on 31 August 2021

2. Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions taken during the year
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustee aims to hedge this risk both directly and indirectly where appropriate and affordable.	No actions or changes to policy. The FSS indirectly mitigates this risk through its synthetic equity with index-linked gilts mandate held with BMO and its long lease property mandate held with LGIM. The CBS has an LDI mandate in place to manage this risk. This mandate will be reviewed periodically and adjusted to ensure it remains appropriate as new liabilities are accrued. This mandate has not been reviewed during the reporting period, however this review may be carried out post year end following the receipt of the finalised triennial actuarial valuation results.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members' benefits as they fall due (including transfer values).	The Scheme's cashflow policy outlines proposals to arrange disinvestments to meet the cashflow needs of the FSS and invest excess quarterly cashflow in the CBS, based on cashflow forecasts from the Scheme administrators, Buck. Post-year end Buck have been added to the investment managers' signatory lists in order to streamline the process for disinvesting and reinvesting cash in the Scheme's bank accounts. The FSS' holdings with Apollo, LGIM and PIMCO each distribute income on a quarterly basis, which provides ongoing liquidity for the Section.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where affordable and practicable.	No actions or changes to policy.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates	No actions or changes to policy. The Trustee is satisfied that the Scheme remains suitably diversified from a credit perspective.

		the Scheme for the risk of default.	
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustee monitors the managers on an ongoing basis.	Progress on the Scheme's ESG policy has been discussed at PFISC and Trustee meetings throughout the year. In Q4 2021 Isio will run an ESG Beliefs Session to establish the views of the Trustee Directors in relation to ESG and formalise these in an explicit ESG policy for the Scheme. The Trustee will also engage with the University to seek their views and opinions. More details of the ESG policy and how it was implemented are presented in Section 3 of this report.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest largely in GBP share classes where possible to eliminate direct currency risk. To invest largely with managers who hedge exposure to foreign currency risk in underlying holdings, except where active currency positions are held.[1]	No actions or changes to policy.

Notes: (1) The Scheme's direct lending manager, Permira, may have non-GBP principal investments which are hedged back with a portion of income hedged also.

3. Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. This page details the Scheme's current ESG policy, while the following page outlines the areas Isio have used when evaluating the Scheme's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Current Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social and Governance factors and the exercising of rights and engagement activity	• When attending PFISC meetings, investment managers will be asked to present to the PFISC on actions they have taken in respect of ESG factors and their exercise of rights and engagement activity. • The PFISC will be provided with detailed summaries of existing manager engagement with Environment, Social and Corporate Governance factors.	• The manager has not acted in accordance with their policies and frameworks.

Areas of assessment

The table below outlines the areas on which the Scheme's investment managers are assessed when evaluating their ESG policies and engagements. The Trustee intends to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Risk Management	1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme. 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee.
Approach / Framework	3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in the debt of a company/project/asset, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge. 8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	9. The Trustee will seek to understand each asset manager's approach to voting and engagement when reviewing the asset manager's approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

4. ESG summary and actions with the investment managers

The following summary outlines each investment manager's approach to managing ESG factors and any actions identified to improve these. Further details of how these policies are implemented through the managers' engagement and voting behaviour are included in the appendices.

Isio engages with all of the Scheme's investment managers on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the PFISC with updates on the engagements with each manager.

Final Salary Section

Manager and Fund	ESG Summary	Actions identified
Apollo Total Return Fund	Apollo have been actively incorporating ESG into their investment process for a number of years. Isio is working with Apollo to encourage them to improve their processes regarding engagement with underlying portfolio companies and ESG reporting.	• In line with last year, Apollo should make progress regarding the inclusion of ESG reporting in their regular client reporting for the Total Return Fund. Isio remains in contact with Apollo to monitor their progress with regards to reporting and overcoming data availability issues which underpin this. • It was previously noted that Apollo is looking to incorporate a formal ESG scoring system for prospective and existing investments. During the year Apollo were able to provide examples of ESG scorecards used for some underlying portfolio companies. • Further progress is required from Apollo to demonstrate how they maintain oversight of the ESG progress on individual credits and what the core ESG targets are for the Fund.
BMO Overseas Equity Linked UK Inflation Fund	BMO were an early adopter of ESG risk management and have invested a significant amount of time and research in this area. BMO appear to have gone beyond competitors in terms of action, collaboration and innovation. Given the passive nature of this mandate, actions taken by BMO in relation to ESG are limited to their interaction with leverage counterparties.	• Although no actions were identified in relation to BMO's ESG policy last year, Isio has suggested that BMO should demonstrate that their reported risk metrics are linked to their ESG priorities.
IFM Global Infrastructure Fund	IFM have comprehensive polices for integrating key ESG issues throughout the investment process. The team are able to demonstrate a robust system for implementing ESG polices and have provided significant levels of both quantitative and qualitative data measuring their performance on ESG issues.	• IFM currently have goals for reducing emissions within the Australia Infrastructure Fund and should formalise objectives to reduce carbon emissions in the Global Infrastructure Fund. There has been no material progress identified on this action during the year. • Isio has also identified that quarterly reporting lacks quantifiable measures of progress relative to ESG objectives. Isio has proposed that IFM consider whether the data is available for them to report on ESG metrics, and challenge themselves to

		overcome these obstacles to improve ESG monitoring and reporting for clients.
LGIM Long Lease Property Fund	LGIM have a strong and integrated ESG approach which follows a robust framework. At a firm level, LGIM have a strong history of active engagement and collaboration on ESG related topics. LGIM use third parties to advise on ESG policies, showing strong commitment to ESG at both the firm and portfolio level. LGIM are also pioneering on social value creation and have achieved their carbon emissions target two years early.	• LGIM should consider whether they can log engagements and progress on ESG initiatives in their annual or quarterly reporting. While reporting hasn't been formally expanded to cover this just yet, LGIM have appointed an external sustainability consultancy to assist in establishing a reporting tool for ESG risks. • In addition, LGIM have responded to Isio's suggestion that they evidence progress on carbon transitioning by developing a roadmap to net zero carbon emissions across their real estate platform by 2050.
Permira PCS II & PCS IV Funds	Permira have demonstrated they consider ESG risks in their approach to investments and manage these risks appropriately. We view their overall approach positively but note that Permira are looking to further develop their ESG screening on potential deals and private equity sponsors. The lack of client reporting has been noted as an area that needs improvement.	• Permira's lack of regular ESG reporting to clients was noted last year as an area requiring improvement and no progress has been identified in this area over the reporting period. Isio has proposed that Permira could offer regular reporting to clients detailing the ESG characteristics of the manager's portfolio companies. • However, Permira have started to issue ESG questionnaires to its underlying portfolio companies in the PCS IV Fund to gather primary ESG data that private companies do not typically publish. This is with the aim of monitoring and quantifying their ESG progress more closely.
PIMCO Diversified Income Fund (Final Salary and Cash Balance Section)	PIMCO has a clear firm-wide ESG policy in place, which is implemented at a Fund-level in the due diligence process. Whilst PIMCO have demonstrated a strong level of engagement with issuers for their ESG-focused funds, we would expect the manager to increase ESG engagement and be able to demonstrate the implementation and improvement of the Fund's ESG policy going forward.	• Last year we noted that PIMCO should look to demonstrate how ESG risks are monitored on an ongoing basis within credit due diligence. There has been no progress identified on this action during the year. • PIMCO should also clearly define key ESG objectives for its non-ESG Funds, such as the Diversified Income Fund.
Veritas Global Focus Fund	Veritas' long term investment philosophy naturally excludes poor scoring ESG stocks from the portfolio. However, Veritas do not directly exclude stocks based solely on ESG metrics, therefore companies which score poorly may be included in the portfolio. Whilst the main focus of the Fund is to identify stocks which have the potential to deliver long term growth, we believe Veritas' track record of engaging with companies to encourage ESG disclosures is positive.	• It was previously noted that Veritas should collaborate with other equity managers and ESG organisations to discuss key ESG issues. When this was proposed, Veritas commented that they believe communicating with other equity managers is not common practice. Their collaboration with other market participants (e.g. UN PRI, TCFD) remains strong however. • As of Q2 2020, Veritas began including detailed carbon analysis in their quarterly client reporting. This covers areas such as

		carbon risk rating, intensity and management for both the portfolio itself and its benchmark as a comparison.

Cash Balance Section

Manager and Fund	ESG Summary	Actions identified
LGIM World Equity Index Fund	LGIM have shown a strong commitment to highlighting, identifying and managing ESG risks across their entire fund range, including their passive equity funds. LGIM are a market leader in their approach to ESG. They have developed a clear and comprehensive framework for scoring portfolio companies on ESG factors. They actively communicate these scores to the companies and engage with them directly to help mitigate ESG risks moving forwards.	• Isio remains in regular contact with LGIM regarding their ESG reporting, which has been highlighted as a key area requiring improvement. • Isio has also since noted that LGIM should also consolidate the ESG scores of the underlying portfolio companies to generate a portfolio level ESG score.
LGIM LDI Funds	LGIM have a team dedicated to understanding and assessing the impact of ESG factors for the wider business. LGIM use proprietary tools to quantify and monitor ESG risk. LGIM believe engaging with regulators, governments and other industry participants will help mitigate ESG risk.	• Similar to other LGIM mandates, the lack of ESG reporting has been highlighted as an important action. • LGIM should also consider incorporating their scoring on ESG factors for counterparties as part of their standard reporting.
BlackRock Dynamic Diversified Growth Fund	Isio views BlackRock's approach to risk management and engagement as above satisfactory. However, the lack of specific ESG aims and regular reporting for the Fund need to be rectified. BlackRock are very good at communicating their views on ESG, but tangible evidence at Fund level is required.	• Last year it was noted that BlackRock could incorporate more ESG focused indices into their investment process. BlackRock have since introduced sustainable equity indices into the portfolio and Isio will continue to monitor their progression across other asset classes. • Isio also proposed that BlackRock should look to report on ESG issues, and in response BlackRock introduced a dashboard of environmental related metrics which will be updated regularly.

Appendix A - Engagement

As the Scheme invests via pooled funds managed by external fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2021.

Final Salary Section

Fund name	Engagement summary	Commentary
Apollo Total Return Fund	Total Engagements: 32 Environmental: 18 Social: 19 Governance: 17 Please note that the sum of the above categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	Apollo have a clear due diligence and engagement framework. The team engages with portfolio companies through discussion with management, and these engagements have been a key driver for the production of formal company ESG reports and Key Performance Indicators. As bond investors, Apollo's voting and engagement rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. Examples of significant engagements include: Belron - Apollo met with the company to discuss the introduction of an ESG 'ratchet' (a mechanism whereby investors' loan terms are altered based on their performance relative to pre-agreed ESG targets). The ESG ratchet for the company is based on the percentage of recycled glass used and greenhouse gas emissions. As a result of this engagement, the approved loan structure included an ESG ratchet whereby loan payments increase or decrease by +/- 0.075% depending on whether or not the company meets certain thresholds for using recycled glass and reducing greenhouse gas emissions. This aims to improve financial alignment of the underlying company with the ESG interests of the Fund and its investors. Gannett Co. Inc. – Apollo discussed the topic of diversity and inclusion with the company at the annual board meeting. As a result of the engagement, the company set a target for 50% of the workforce to be comprised of underrepresented groups by 2025. The company also set targets in relation to increasing diversity at the director level and above.
BMO Overseas Equity Linked UK Inflation Fund	Total engagements: 11 Companies engaged: 4 Climate change: 5 Business conduct: 2 Human rights: 2 Labour standards: 6 Public health: 1 Corporate governance: 4	Due to the Fund's hedging components being accessed via index-linked gilts, BMO have limited engagement rights with underlying issuers. Similarly, due to the synthetic nature of the equity holdings, BMO have no direct engagement rights with underlying companies. BMO's engagement programme therefore primarily focuses on engagements with trading counterparties and clearing members. Examples of significant engagements include: Canadian Imperial Bank of Commerce – BMO engaged with the company ahead of its AGM to discuss governance topics such as director tenure, board diversity, executive compensation and shareholder proposals. The company noted that it is conscious of the tenure of its directors and expects one

	Please note that the sum of the above categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	director to retire in each of the following five years. The company has demonstrated its commitment to gender diversity, with 50% of its nominees being women and with an incoming female board chair. BMO also noted positively that the company is addressing the issue of board diversity beyond gender. ING Groep NV – BMO engaged with the Dutch bank's Global Sustainability team in order to discuss their approach to identifying and mitigating human rights risks as part of their lending and underwriting processes. BMO observed that the topic of human rights risks is well acknowledged and thoroughly implemented in the bank's internal due diligence processes. However, BMO noted the bank had few examples where business relationships had been changed or terminated based on human rights risk and intend to continue to investigate this.
IFM Global Infrastructure Fund	IFM have influence in their position as board members on the Fund's portfolio projects to engage with management teams on ESG issues.	As equity holders with board and committee representation on each project, IFM has the authority to drive discussions and make a positive impact in relation to ESG. Although IFM were able to provide examples of ESG initiatives carried out by management teams within underlying projects, they were unable to provide the requested engagement data and specific examples.
LGIM Long Lease Property Fund	LGIM does not currently provide details of their engagement activities at Fund level. Isio remains in contact with LGIM surrounding the Firm's engagement reporting.	Due to the nature of most of the leases within the LPI Fund, LGIM can only engage with the tenants of the assets which are held in the Fund, and their overall influence as a landlord is limited. They maintain dialogue with all occupiers, and as part of this ESG-related behaviours are encouraged. LGIM were unable to provide the requested engagement data and specific examples at Fund level.
Permira PCS II	Total engagements: 3	Permira are in contact with the management teams of their portfolio companies. However, given their position as lenders, they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks. Examples of significant engagements include: David Brown: Permira engaged with the company to discuss its ESG strategy, with a focus on the company's carbon footprint, energy efficiency, and diversity/inclusion across the business. An internal team at the company is developing this strategy and approach, and an ESG committee has been formed which includes senior members of the team. The company is also planning to release an external ESG report by the end of 2021. Permira intend to continue engaging with the company as they develop and roll out the strategy. Permira's ESG team have the capabilities to be directly involved in the ESG strategy of underlying companies, however for the majority of companies

		in the PCS Funds, their private equity sponsors have their own capabilities to drive ESG improvements independently. David Brown's private equity sponsors did not have the required ESG expertise, requiring Permira to be more involved directly in the development and rollout of the company's ESG strategy. Paperchase: During the year Permira took ownership of the company, thereby increasing their engagement rights in comparison to their previous position as a lender. Management recognises that sustainability should form a key part of Paperchase's new strategy. Permira have also introduced external advisors to support the company on the development of its sustainability strategy, which is focused on sustainable sourcing and plastic reduction. This is due to be developed further in H2 2021, and Permira plan to continue engaging with the company to discuss next steps.
Permira PCS IV	Total engagements: 0	The same factors described above surrounding Permira's limitations as lenders to influence ESG practices are also applicable for the PCS IV Fund. Fewer engagements are also expected for the PCS IV Fund at present given the relative immaturity of the portfolio, but these are expected to increase as the Fund makes more investments. Although there were no formal engagements over the period, during 2020 and early 2021 Permira issued an ESG-related data request to 27 portfolio companies in the PCS IV Fund for the first time. Information relating to greenhouse gas emissions, diversity and ESG policy-related questions were included in this request. Going forward, Permira intend to issue an annual ESG request to all portfolio companies the PCS IV Fund.
PIMCO Diversified Income Fund (Final Salary and Cash Balance Section)	Total engagements: 3	ESG engagement activity is undertaken on a firm wide basis, with no specific fund level targets. ESG engagements in the Diversified Income Fund are the responsibility of the credit analyst overseeing a specific issuer/sector. As bond investors, PIMCO's voting and engagement rights are limited compared to equity holders. Examples of significant engagements include: Dell - PIMCO has engaged with the company during the year regarding labour rights issues in its supply chain, including topics such as working hours and investigations into forced labour disputes. Separately, PIMCO also engaged with the company regarding conflict mineral sourcing. PIMCO has encouraged the company to publicly commit to a 100% Responsible Minerals Assurance Process, which helps companies make informed choices about responsibly sourced minerals in their supply chains. Bank of America – PIMCO engaged with the company regarding climate change and the Task Force on Climate-Related Financial Disclosures (TCFD). PIMCO shared their expectations in this area and were encouraged by the company's response as a result, noting that they made progress regarding TCFD and

		introduced a new Environmental and Social Risk Policy Framework.
Veritas Global Focus Fund	Total engagements: 7 Environmental: 1 Social: 1 Governance: 5	Veritas has a track record of engaging with companies to encourage disclosure of ESG factors, including carbon usage and gender pay gap reports. As equity holders in public companies, Veritas has strong engagement rights compared to other managers. Further, the relatively small number of positions in the portfolio (c.30) allows the team to engage frequently and in more detail with individual companies. Examples of significant engagements include: Svenska Handelsbanken – Veritas engaged with the bank following its proposals to change its profit-sharing scheme (the 'Oktogonen' scheme) which only distributes bonuses once an individual has turned 60. Veritas believe that this structure creates a culture within the company of considering the long term and not taking big risks, which has resulted in the bank historically having a healthy financial position. The proposed changes to the Oktogonen scheme include the introduction of bonuses, and Veritas wished to better understand the terms of the bonus proposals and the potential impact on the bank's long-term attitude towards risk. Following the engagement Veritas wrote to the company suggesting measures which would ensure the interests of employees remained aligned with those of the company's shareholders. Given that these suggested measures were unlikely to be implemented, Veritas chose to exit the position. Vinci – Veritas engaged with the company's management team to gain a better understanding of their approach to reducing greenhouse gas emissions. The company implemented the following emissions reduction targets; to reduce emissions by 30% during 2020, to reduce emissions by 40% by 2030, and to achieve net zero by 2050. As a result of the engagement, Veritas are comfortable with the targets set by the company to reduce its emissions and the framework in place to achieve these targets. The nature of the French construction company's business means that it emits greenhouse gas, therefore Veritas intend to have a follow up meeting to discuss the matter in more detail and to explore innovative methods of carbon emissions reduction with the company.

Cash Balance Section

Fund name	Engagement summary	Commentary

LGIM World Equity Index Fund	LGIM does not currently provide details of their engagement activities at Fund level. Isio remains in contact with LGIM surrounding the firm's engagement reporting.	LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based. LGIM were unable to provide the requested engagement data and specific examples at Fund level.
LGIM LDI Funds	LGIM does not currently provide details of their engagement activities at Fund level. Isio remains in contact with LGIM surrounding the firm's engagement reporting.	As mentioned above, LGIM leverages the wider capabilities of the global firm to engage with companies. The team also regularly engages with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. LGIM were unable to provide the requested engagement data and specific examples at Fund level.
BlackRock Dynamic Diversified Growth Fund	Total engagements: 938 Individual companies engaged: 502 Environmental: 584 Social: 411 Governance: 822 Please note that the sum of the above categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	BlackRock engages with their companies through their Investment Stewardship team in order to provide feedback and inform their voting decisions. These engagements largely relate to the Fund's equity positions only, which comprised c.32% of the overall portfolio as at 31 March 2021. Examples of significant engagements include: Daimler AG - BlackRock has engaged with the company regularly over recent years regarding the impact of climate risk on the company (Daimler AG is the parent company of Mercedes-Benz). BlackRock observed that the company's limited progress in explicitly aligning its climate reporting with the TCFD recommendations falls short of expectations. BlackRock informed the company that it expects disclosures in line with the TCFD framework by next year. Subsequently, the company published a table on its website mapping the TCFD recommendations to the relevant pages in its annual sustainability reports. BlackRock was encouraged by this progress and by the targets established by the company to reduce its carbon intensity (for example, the company is aiming to achieve carbon neutral production across its European operations beginning in 2022). Barclays Plc – BlackRock regularly engages with the company's sustainability team to provide ongoing feedback on its governance and business practices. These engagements have focused on a variety of ESG related issues such as board composition and effectiveness, remuneration, business oversight and climate risk management. Following on from these engagements, Barclays announced its updated ambitions in March 2020 regarding climate change.

Appendix B - Voting (for equity/multi asset funds only)

As the Scheme invests via pooled funds managed by external fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2021. The managers also provided examples of any significant votes.

Final Salary Section

Fund name	Voting summary	Examples of significant votes	Commentary
BMO Overseas Equity Linked UK Inflation Fund	Given that the Fund's equity positions are accessed via futures contracts instead of physical ownership, BMO does not have voting rights for their equity positions through this Fund and therefore there was no voting activity to report over the period. BMO's policy is to vote at all shareholder meetings on behalf of its discretionary investment mandates in line with the firm's Global Corporate Governance Guidelines, which are reviewed annually.		
Veritas Global Focus Fund	Votable proposals: 469 Votes cast: 469 Votes with management: 426 Votes against management: 38 Votes abstained: 5	Facebook – Veritas voted in favour of a resolution requiring the company to have an independent board chair. Veritas believed this vote was warranted due to concerns surrounding the appointment of a non-independent director at the company. Facebook entered a settlement agreement with the Federal Trade Commission whereby the company is required to pay $5bn and to significantly enhance its processes relating to private compliance and oversight. This, alongside further data privacy controversies, led Veritas to form the view that Facebook would benefit from robust independent board oversight through an independent board chair. Alphabet Inc. – Veritas voted in favour of a proposal for the company to establish a Human Rights Risk Oversight Committee. Veritas cast this vote based on concerns about whether the existing board provides sufficient oversight regarding the risks the company's technologies present to human rights. Veritas noted that this then leads to reputational risk for the company and may harm its ability to retain high-level employees.	As equity investors Veritas have relatively strong voting rights, employing a customised policy which is applied by Institutional Shareholder Services ('ISS'). This policy incorporates the ESG Red Lines, developed by the Association of Member Nominated Trustees ('AMNT'). ISS provides company research and vote recommendations based on Veritas' policy, and provides the vote execution service. The investment team may have a view which differs from that of the policy vote recommendation, and in this scenario the team provides rationale to justify their voting decision.

Cash Balance Section

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM World Equity Index Fund	Meetings eligible to vote for: 3,421 Votable proposals: 40,987 Proposals voted: 40,921 Votes with management: 33,302 Votes against management: 7,395 Votes abstained: 225	Qantas Airways Limited - LGIM voted in favour of a resolution to approve the company's remuneration report. The Australian airline company had been impacted by the COVID-19 outbreak, and the company developed and executed a recovery plan which involved cancelling dividends, reducing employee headcount and the use of government assistance. LGIM engaged with the company to ensure the impact of the COVID-19 crisis was accurately reflected in the executive pay package. Following this engagement, LGIM voted in favour of the remuneration report given the executive salary cuts and short-term incentive cancellations. However, LGIM did vote against a resolution to approve the participation of Alan Joyce in the company's long term incentive plan, given that the structure of this plan is not in line with LGIM's recommended best practice. Whitehaven Coal – LGIM voted in favour of a resolution to approve capital protection, as shareholders asked the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. LGIM has publicly supported a "managed decline" approach for fossil fuel companies, with capital being returned to shareholders rather than being spent elsewhere. Given the increasingly uncertain role of coal and its position as the most polluting fossil fuel, LGIM noted that phasing out coal will be key in achieving global climate targets.	LGIM's Investment Stewardship team is responsible for managing voting activities across all funds.
BlackRock Dynamic Diversified Growth Fund	Voteable Proposals: 12,398 Proposals Voted: 11,980 Votes with management: 11,172 Votes against management: 703 Votes abstained: 105	Barclays Plc – BlackRock approved a resolution outlining the company's commitment to tackling climate change. BlackRock have engaged extensively with Barclays over recent years on several ESG-related topics, including climate risk management. Earlier in 2020, a group of investors filed a separate resolution asking Barclays to set targets to phase out the provision of services to companies in the energy	BlackRock uses the Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorises their voting actions into two groups: holdings directors accountable and supporting shareholder proposals. Where

		sector. BlackRock voted in favour of both this resolution and the resolution outlining Barclays' climate commitments. Chevron Corporation – BlackRock voted in favour of a resolution proposing that Chevron produce a report on climate lobbying aligned with the Paris Climate Agreement Goals. BlackRock was of the view that Chevron could provide investors with a more detailed explanation of the alignment between the company's political activities (including political spending and lobbying) and the goal of the Paris Agreement to limit global warming to no more than two degrees Celsius.	BlackRock has concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.

Appendix C - Glossary

Glossary

- CBS – Cash Balance Section of the Scheme
- ESG – Environmental, Social and Governance, these are factors which are recognised by the Pensions Regulator and Trustee as financially material risks and are considered as part of investment strategy and manager selection decisions.
- FSS – Final Salary Section of the Scheme
- LIBOR – London Inter-bank Offered Rate, considered as a proxy for the risk-free rate, and is often the reference rate used for interest rate swap contracts sometimes used by LDI managers for hedging purposes.
- LDI – Liability Driven Investment, an investment designed to move in line with the movement of pension scheme liabilities in response to movements in interest rates and inflation expectations.
- PFISC – Pension Fund Investment Sub-Committee, an advisory group with delegated investment responsibilities who provide guidance to the Trustee regarding investment-related decisions for the Scheme.
- SIP – Statement of Investment Principles, a Scheme document which outlines the key policies which the Trustee uses to govern the Scheme’s investment strategy. This document can be accessed via the weblink included on page 1 of this document.
- TCFD - The TCFD (Task Force for Climate-related Financial Disclosures) is the leading organisation globally for guidance on climate disclosures, which has produced recommendations for identifying and disclosing climate risk.

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Some of the information provided in this report is provided by the Scheme's investment managers, and so we are reliant on these third parties for the accuracy of these data sets. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.