

Swansea University Pension Scheme (the “Scheme”)

Scheme Year End – 31 July 2024

The purpose of the EPIS is for us, the Trustee of the Swansea University Pension Scheme, to explain what we have done during the year ending 31 July 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

Aon Investments Ltd (“Aon”) who manage our hedge fund allocation via the Aon Active Diversifiers Funds will engage with the underlying managers on our behalf to understand their engagement activities in more detail.

How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the policies set out in our SIP. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

The Scheme's stewardship policy can be found in the SIP: <https://www.swansea.ac.uk/finance-swansea-university/pensions/sip-swansea-university-pension-scheme/>

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis and received updates from our investment advisor, Aon Investments Limited ("Aon"). We also received Environmental Social Governance ("ESG") ratings from Aon for the funds the Scheme is invested in where available.

Our Engagement Action Plan

Based on the work we have done for the EPIS; we have decided to take the following steps over the next 12 months:

1. While LGIM did provide a comprehensive list on fund-level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which we are invested, as per the Investment Consultants Sustainability Working Group ("ICSWG") best practice industry standard. Our investment advisor will engage with the manager on our behalf to better understand its engagement practices and discuss the areas which are behind our expectations.
2. Whilst the case studies provided by Marshall Wace provided good insight into the manager's engagement activity, overall, limited engagement information was provided, and Man Group did not provide fund specific engagement information. Our hedge fund strategy manager (Aon) will engage with the underlying managers on our behalf to better understand their engagement practices and discuss the areas which are behind our expectations.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our manager's voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment manager to responsibly exercise its voting rights.

Voting statistics

The table below shows the voting statistics for the Scheme's material fund with voting rights. Managers collate voting information on a quarterly basis. The voting information provided is for the year to 30 June 2024 which broadly matches the Scheme year.

Fund	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - World Equity Index Fund (Hedged and Unhedged)	36,188	99.7%	20.3%	0.3%

Source: LGIM. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay, and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's manager uses proxy voting advisers.

Manager	Description of use of proxy voting adviser (in the manager's own words)
Legal & General Investment Management ("LGIM")	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 we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: LGIM

Significant voting example

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment manager to provide a selection of what it considers to be a significant vote in relation to the Scheme's fund. An example of the vote provided can be found in the appendix.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund level	Firm level	
Boussard & Gavaudan ("BG") - Fund ¹	19	19	Environment - Climate Change Social - Human Capital Management Governance - Shareholder Rights; Remuneration Strategy, Financial & Reporting - Reporting
Man Group - Alternative Risk Premia Fund ¹	<i>Not provided</i>	81	Environment* - Climate Change; Natural Resource Use/Impact Social* - Human and Labour Rights; Public Health Governance* - Remuneration
Marshall Wace ("MW") - Market Neutral ESG Tops Fund ¹	<i>Not provided</i>	<i>Not provided</i>	Environment* - Supply Chain and Deforestation; Electrification and Net Zero; Carbon Emissions
Insight Investment Management ("Insight") - Bond Plus Fund	114	2,521	Environment - Climate Change Strategy, Financial & Reporting - Financial Performance; Strategy/Purpose; Capital Allocation; Reporting
LGIM - World Equity Index Fund (Hedged and Unhedged)	734	2,500	Environment - Climate Impact Pledge; Climate Change Governance - Remuneration; Board Composition Other - Corporate Strategy
M&G Investments ("M&G") - UK Property Fund	<i>Not provided</i>	297	Environment* - Climate Change Social* - Human Capital Management Governance* - Remuneration; Board Effectiveness - Diversity Other* - Multiple Topics

Source: Managers.

*Man Group, MW and M&G did not provide fund-level themes; themes provided are at a firm-level.

¹Invested in via fiduciary manager.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Man Group did not provide fund-level engagement data.
- The M&G UK Property Fund is winding down, so no engagement data was available from the manager for this fund.
- MW provided limited engagement information, including detailed illustrative examples of its engagement activity at the firm-level.
- LGIM did provide fund-level engagement information, but not in line with the best practice industry standard ICSWG reporting guide.

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes.

Appendix – Significant Voting Example

In the table below is an example of a significant vote as provided by the Scheme’s manager. We consider a significant vote to be one which the manager considers significant.

LGIM - World Equity Index Fund (Hedged and Unhedged)	Company name	Tesla, Inc.
	Date of vote	13 June 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.7
	Summary of the resolution	Resolution 2: Advisory Vote to Ratify Named Executive Officers' Compensation
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Remuneration - Quantum - One-off Awards: A vote against is applied as LGIM believes that the approved remuneration policy should be sufficient to retain and motivate executives. A vote AGAINST this proposal is warranted. While most NEOs received modest or no compensation for FY23, one executive was granted an outsized, time-based stock option award upon his promotion, the magnitude and design for which were not adequately explained. The grant did not require the achievement of pre-set performance criteria in order to vest and the value is considered to be excessive.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be most significant?	High Profile meeting: This resolution is considered significant as it pertains to one of our key stewardships 'sub-themes', executive pay.

Source: LGIM