

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Statement of Investment Principles (SIP)

The SIP can be found online at the web address:

<https://www.gla.ac.uk/myglasgow/payandpensions/pensions/universityofglasgowpensionscheme/>

The SIP in the above link was updated in August 2022. Changes to the SIP are detailed on the following pages.

Implementation Report

This Implementation Report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the reporting year up to 31 March 2023 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme's reporting year

- The Trustees agreed to fully redeem their Insight Buy and Maintain Corporate Bonds over the reporting period, this was to top up the collateral base to support the LDI mandate.
- The Trustees also instructed the full redemptions of the Scheme's holdings in the Apollo Total Return Fund and Pырford Diversified Growth Fund over the period. The proceeds from the Pырford redemption were used to meet the capital call for the Scheme's commitment to the IFM Global Infrastructure Fund in August.
- In October, the Trustees agreed to reduce the Scheme's LDI hedge with Insight from 70% to 40%(measured on a gilts basis) in order to preserve capital and ensure there was appropriate collateral to support any further rate rises. In February, the Trustees agreed to increase the hedge back to 60% on a gilts flat basis.

Implementation Statement

This report demonstrates that the University of Glasgow Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions

Risk/ Policy	Definition	Policy	Actions over reporting period
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.	To hedge 60% (on a flat gilts basis) of the total liabilities movements caused by changes to interest and inflation rates.	The Scheme decreased its level of hedging to 40% in order to preserve capital and to ensure there was appropriate collateral to support any further rate rises. This was then increased to 60% (the first tranche was completed in March 2023, with the second tranche completed in April 2023).
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), and to provide collateral to the LDI manager.	The Trustees regularly monitor the collateral and liquidity position to reduce the impact of this risk via a specific quarterly report provided by the investment consultant.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustees agreed to implement an interim investment strategy in Q1 2023. A final strategy will be agreed following an LDI review using the revised cashflows from the formal valuation as at 1 April 2022. These changes will be reflected in an updated SIP following implementation.
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 the Scheme for the risk of default.	The allocation to credit assets remains diversified in terms of number of managers and credit sub-asset classes.

Risk/ Policy	Definition	Policy	Actions over reporting period
Environmental, Social and Governance (ESG)	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	Please see Appendix 3 of the Scheme's SIP for the policy relating to managing Environmental, Social and Governance considerations.	ESG actions undertaken: <ul style="list-style-type: none"> - The Trustees received an ESG beliefs training session in August 2022 and reviewed the ESG policies of the Scheme's underlying investment managers in February 2023, in the form of an 'impact assessment'. - The Trustees are still to agree on a formal ESG policy for the Scheme.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	No additional action or change over reporting period.
Non-financial	The views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme in the selection, retention and realisation of investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments unless specifically requested as part of the evaluation criteria when selecting managers. However, the Trustees may take specific non-financial matters into consideration if they represent the view of a majority of Scheme members.	No additional action or change over reporting period.

Changes to the SIP

Policies added to the SIP over reporting period	
Date updated: August 2022	
How investment managers exercise rights (include voting rights).	<ul style="list-style-type: none">• The Trustees will in advance explain to their investment managers what they consider to be most significant votes in line with the Scheme's stewardship priorities via the investment consultant.
Environmental, Social and Governance Consideration	<ul style="list-style-type: none">• On an annual basis, the Trustees assess the voting and engagement activity of their assets managers. The results of this analysis feeds into the Trustees' investment decision making.
How the Trustees monitor and engage with investment managers Stewardship priorities.	<ul style="list-style-type: none">• The Trustees are in the process of developing stewardship priorities as part of an ESG beliefs review. Once these priorities are agreed, they will be shared with the investment managers, via their investment adviser, going forward.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme’s policy with regarding to ESG as a financially material risk. This page details how the Scheme’s ESG policy is implemented, while the following page outlines Isio’s assessment criteria as well as the ESG beliefs used in 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 stewardship activity.

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

Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement
Risk Management	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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 companies’ debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 9. The Trustee will seek to understand each asset managers’ approach to voting and engagement when reviewing the asset managers’ approach. 10. Engaging is more effective in seeking to initiate change than disinvesting

Collaboration	<ol style="list-style-type: none"><li data-bbox="549 194 1455 286">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.<li data-bbox="549 304 1455 396">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.
---------------	---

ESG summary and engagement with the investment managers

Manager and Fund	ESG Summary	Actions identified	Engagement details
AEW Real Return Fund	<p>AEW have a clear ESG policy focused on social impact and awareness of key climate issues. However, AEW need to demonstrate the implementation of these policies at a fund level. Over time, we expect clearly defined ESG objectives for the funds and regular reporting on how the funds are performing versus its ESG objectives.</p>	<p>AEW should make a fund level commitment on ESG objectives and develop a net zero target and pathway. They should introduce climate risk scenarios and finalise its Diversity and Inclusion Policy. In addition, have fund level stewardship priorities in place. To include ESG metrics in quarterly reporting.</p>	<p>Isio engaged with AEW on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on the AEW engagements.</p>
BlackRock Dynamic Diversified Growth Fund	<p>There remains no dedicated ESG policy in place for this fund and the fund lacks any quantifiable objective or a specific journey to net zero. However, the fund has demonstrated no investment decisions based on sustainability grounds and actively seek ESG investment opportunities. They have a publicly available Global Stewardship Policy and a central stewardship team. ESG metrics are available on request and are updated monthly. BlackRock has a PRI rating of A+ for strategy, governance and integration of responsible investment related issues whilst being a signatory of UNPRI, NZAM and TCFD.</p>	<p>BlackRock should report on alignment with temperature pathway and impact of climate change scenarios. As well as create fund level stewardship priorities. They should introduce GHG metrics for reporting and implement specific ESG policy for the fund.</p>	<p>Isio engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on BlackRock engagements.</p>
BlackRock UK Long Lease Property Fund	<p>BlackRock have a robust firm wide ESG process that is well integrated within their Real Assets platform. Each asset within the portfolio is reviewed from an ESG standpoint to ensure ESG is monitored throughout the lifecycle of an investment, although they admit their limited control over properties and the importance of</p>	<p>BlackRock should provide evidence they are providing detailed ESG metrics within their regular reporting cycle. In addition, consider updating their ESG scorecard more frequently. Also, report and monitor engagement effectiveness overtime.</p>	<p>Isio engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on BlackRock engagements.</p>

	<p>engaging with tenants going forward. BlackRock have committed to improving their ESG framework on an ongoing basis to identify the ESG risk and rewards associated with each underlying asset.</p> <p>BlackRock currently report on some ESG metrics for the Fund however are actively looking to improve their reporting once data quality is improved.</p>		
JP Morgan – Unconstrained Bond Fund	<p>While the firm’s ESG policies are integrated at a Fund level, which differs depending on the underlying sub-asset class, the Fund still lacks specific ESG objectives and priorities.</p> <p>JPM have an investment stewardship team which manages engagements and are able to provide engagement evidence in line with firm-level stewardship priorities.</p> <p>Going forward, JPM should work to improve their overall portfolio engagement figures.</p>	<p>JPM should introduce a fund-level ESG scorecard across all sub-asset classes and update this at regular intervals (at least annually). BlackRock should also introduce a fund-level ESG score</p> <p>They should also improve tracking and reporting of Fund engagements, consider introducing engagement targets.</p> <p>Additionally, Implement fund-level ESG targets and objectives</p> <p>Reporting – Introduce and track social metrics as part of ESG reporting Climate – Set a clear temperature pathway with climate objectives</p>	<p>Isio engaged with JPM on the Trustee’s behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on JPM engagements.</p>
Partners Group - Direct Lending (PMCS 2016, 2018 & 2020)	<p>While PG have demonstrated growth within their ESG team and practices, they are lagging compared to peers across a number of areas, primarily reporting. PG should consider the below proposed actions in order to improve their ESG score.</p>	<p>Partners Group should adopt engagement targets and include engagement information in quarterly reporting. In addition, provide a Diversity Report and improve diversity reporting metrics. They should also, report on TFCF Climate Change Metrics and incorporate ESG metrics into quarterly reports. Isio suggested that they Identify Fund Level ESG targets.</p>	<p>Isio engaged with Partners Group on the Trustee’s behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on the Partners Group engagements. Partners Group has made suitable progress with actions identified such that their overall ESG rating has been upgraded.</p>

<p>IFM Global Infrastructure Fund</p>	<p>IFM comprehensively integrate the firm’s Responsible Investment Charter throughout the investment process and have a clear process for ESG integration through the investment process. They have specifically included climate concerns throughout their assessment approach, with quantifiable metrics and targets at Fund level. GIF should complete its emission reduction plans at the asset level at the earliest opportunity to assess alignment with its net zero targets. Reporting is now TCFD aligned but there is potential for more detail in fund-level ESG metrics scoring and reporting, especially for social scoring</p>	<p>IFM should develop an ESG scorecard approach to quantify ESG risks. IFM should also improve climate scenario testing on fund value. In addition, they should also continue to improve overall fund level reporting on ESG metrics, particularly social metrics.</p>	<p>Isio engaged with Partners Group on the Trustee’s behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on the Partners Group engagements. Partners Group has made suitable progress with actions identified such that their overall ESG rating has been upgraded.</p>
<p>Insight Liability Driven Investment (“LDI”)</p>	<p>Insight have a robust ESG scoring system for the counterparties they deal with. Insight have made improvements to their counterparty engagement process with the aim of achieving a greater level of impact in their engagements with counterparties.</p>	<p>Insight should consider the inclusion of an engagement summary in regular reporting. In addition, consider key KPIs and milestones for engagement..</p>	<p>Isio engaged with Insight on the Trustee’s behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on Insight engagements.</p>
<p>Insight Asset Backed Securities (“ABS”)</p>	<p>Insight has shown a good level of engagement and data collection from the originators, however there is still a clear lack of data collection quality, which is common in the ABS market. Insight has improved their risk management with the introduction of the ‘ESG Academy’ that provides firm-wide compulsory training on ESG matters on an ongoing basis.</p>	<p>Insight should continue to engage with originators to improve the quality of ESG data collection. In addition, develop a quantitative scorecard for originators. Insight should also publish the Stewardship policy. They should include engagement metrics in their ESG reporting as well.</p>	<p>Isio engaged with Insight on the Trustee’s behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the ISC with updates on Insight engagements.</p>

Engagement

As the Scheme invests via 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 2023.

Fund name	Engagement summary	Commentary
AEW Real Return Fund	AEW currently do not provide details of their engagement activities due to the nature of the Fund. Isio will work with AEW on the development of the firm's engagement reporting.	AEW 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.
BlackRock Dynamic Diversified Growth Fund	Total Engagements: 384 Environmental: 337 Social: 151 Governance: 176 One engagement can comprise of more than one topic across each company	BlackRock engage with their companies through their Investment Stewardship team in order to provide feedback and inform their voting decisions. An examples of a significant engagement includes: Shell Plc – BlackRock met with Shell to discuss the Company's Energy Transition Strategy and how it plans to manage climate-related risks and opportunities. Shell demonstrated that their strategy is consistent with what BlackRock looks for in companies in which it invests – resilience across a range of climate scenarios. In addition, Shell has updated its emissions reduction targets to reduce scope 1 and 2 emissions by 50% by 2030. BlackRock were comfortable that the Company has a clear plan to manage climate-related risks and opportunities which they believe is progressing well.
BlackRock UK Long Lease Property Fund	BlackRock currently do not provide details of their engagement activities due to the nature of the Fund. Isio will work with BlackRock on the development of the firm's engagement reporting.	BlackRock's ESG related engagement is led by the BlackRock Investment Stewardship (BIS) team. BlackRock lease on full repairing and insuring ("FRI") terms, which means that whilst a tenant is in a property BlackRock has little control over that property, therefore engagement opportunities are scarce.
JP Morgan Unconstrained Bond Fund	Total Engagements: 278 Environmental: 128 Social: 167 Governance: 120	JP Morgan's engagement activities are formed as part of their Stewardship model, in which investment professionals liaise with Stewardship specialists on a global scale. The engagements included within their report span beyond fixed income, given the scale of the strategy's holdings and global dialogue with investee companies. An example of a significant engagement includes:

		<p>TotalEnergies – JP Morgan sent a letter to the Chairman of the Board at TotalEnergies outlining recommended actions around climate change risk, including expectations for the companies greenhouse gas (GHG) emission reporting, methane emissions reduction targets and how the business model may change when moving towards a net zero emissions economy. As a result of such engagement, the Company was made aware of needed improvements in their disclosures/reporting, such as providing GHG emissions reports on non-operated assets and publishing the methane emissions data. The Company has made tangible steps since and JP Morgan will continue to monitor their progress.</p>
<p>Partners Group Private Market Credit Strategies 2016 Fund</p>	<p>Total engagements: 4 Corporate: 4</p> <p>*Note that Partners Group provide data semi-annually, and as such the engagement data shown reflects their activity over the 2022 calendar year.</p>	<p>Partners Group maintains ongoing 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.</p> <p>Partners Group has engaged on mostly governance related issues over the period, rather than environmental or social considerations. An example of a significant corporate governance activity within the portfolio project includes:</p> <p>IDEMIA – Partners Group had a call with the company’s sponsor to receive an update on trading and business performance. Despite inflationary pressures, the company has shown positive performance across all business lines and a third party has been employed to progress a sales process for 2023.</p>
<p>Partners Group Private Market Credit Strategies 2018 Fund</p>	<p>Total engagements: 3 Corporate: 3</p> <p>*Note that Partners Group provide data semi-annually, and as such the engagement data shown reflects their activity over the 2021 calendar year</p>	<p>Partners Group maintain ongoing 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.</p> <p>Partners Group has engaged on mostly governance related issues over the period, rather than environmental or social considerations. An example of a significant corporate governance activity within the portfolio project includes:</p>

		<p>Azets – Partners Group had several engagements with the sponsor on the refinancing of the capital structure of the company. Following the engagement, Azets confirmed that the original debt exposure was fully repaid.</p>
Partners Group Private Markets Credit Strategies 2020 Fund	<p>Total engagements: 4</p> <p>ESG: 2</p> <p>Corporate: 2</p>	<p>Partners Group maintain ongoing 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.</p> <p>Partners Group has engaged on mostly governance related issues over the period, rather than environmental or social considerations. An example of a significant corporate governance activity within the portfolio project includes:</p> <p>Ligentia– Partners Group engaged with about add-on Investment with ESG margin ratchet. Partners Group had discussions with the sponsor and the company on the inclusion of ESG related SLL terms on the new financing. The exact terms of the ESG margin ratchet are currently being agreed on</p>
IFM Global Infrastructure Fund	<p>IFM currently do not provide details of their engagement activities due to the nature of the Fund. Isio will work with IFM on the development of the firm’s engagement reporting.</p>	<p>IFM engage through board representation in both their private equity and public market portfolio holdings. IFM will only invest in companies which have appropriate governance structures in place. IFM bring together key executives of their portfolio companies to help spread good ESG practice and objectives across the portfolio.</p> <p>Buckeye Partners: Buckeye and IFM have begun looking for Merger & Acquisition opportunities to acquire renewable development projects as well as currently developing solar projects. Both of these projects together may generate enough renewable power to offset over 200% of Buckeye’s 2019 electricity consumption.</p>
Insight Liquid ABS	<p>Total engagements: 50</p>	<p>Insight engages with their underlying portfolio projects on a range of ESG issues, mainly related to corporate governance within portfolio companies and share issuance.</p> <p>An example of an engagement includes:</p>

		<p>European Data Warehouse (EDW)– Insight met with EDW to discuss data provision and the reporting of market level ESG data. Insight made suggestions to the company of how they could improve upon their availability and comparability of data across the wider market, including the implementation of data aggregation tool. The company were receptive of Insight’s suggestions how but acknowledged this will take time to achieve. Insight will continue to engage with the company on this and monitor their progress.</p>
Insight LDI	Insight currently do not provide details of their engagement activities for LDI Funds.	<p>Insight has engaged with a number of industry participants on long term strategic issues in relation to LDI, including:</p> <ul style="list-style-type: none"> - Green gilt issuance - Liaising with the FCA and TCFD in relation to climate change reporting disclosures - Working with derivative counterparty banks on the integration of ESG factors into the assessment of credit risk <p>The team 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.</p>

Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2023. The managers also provided examples of any significant votes.

Fund name	Engagement summary	Examples of significant votes	Commentary
BlackRock Dynamic Diversified Growth Fund	<p>Meetings eligible to vote for: 905</p> <p>Resolutions eligible to vote for: 11,472</p> <p>Resolutions voted for: 94.6%</p> <p>Resolutions voted with management: 89.4%</p> <p>Resolutions voted against management: 5.2%</p> <p>Resolutions abstained from: 1.5%</p> <p>*Data as at 28 February 2023</p>	<p>Berkshire Hathaway Inc – BlackRock voted in favour of the production of a Report on Climate-Related Risks and Opportunities. BlackRock's rationale for the vote was due to Berkshire Hathaway's current disclosures not meeting BlackRock's expectations of how a business model aligns with a low-carbon economy.</p> <p>Charter Communications, Inc. – BlackRock voted in favour of a resolution proposing a Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics by the company. BlackRock acknowledged Charter Communications' efforts on this topic but they viewed this as an opportunity for the company to accelerate their existing progress on social issues.</p>	<p>BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holdings directors accountable and supporting shareholder proposals. Where BlackRock have 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.</p>