

NATFHE Pension and Life Assurance Scheme Implementation Statement

Scheme year ended 31 March 2024

This Implementation Statement has been prepared by the Trustees of the NATFHE Pension and Life Assurance Scheme ("the Scheme") and sets out:

How the Trustees' policies on exercising rights (including voting rights) and engagement have been followed over the Scheme year.

The voting behaviour of the Trustees, or that undertaken on their behalf, over the Scheme year.

Stewardship policy

The Trustees' Statement of Investment Principles ("SIP") in force at 31 March 2024 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in September 2023 and has been made available online here:

<https://www.ucu.org.uk/natfhe-pensions>

Following the Scheme year end, the Trustees have considered appropriate stewardship priorities for the Scheme. As these priorities have not been formally adopted within the SIP at the Scheme year end, these have not been considered within this statement but will be applied from next years' statement.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds and, as such, the Trustees delegate responsibility for carrying out voting and engagement activities to the Scheme's fund managers. Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustees from time to time. The Trustees also expect the investment managers to have engaged with the companies in relation to ESG matters where appropriate.

The investment managers will be invited to Trustee meetings to provide updates on the funds invested in by the Scheme, including bringing the Trustees up-to-date on their ESG, voting and engagement activities, as and when the Trustees deem it necessary.

The Trustees review the fund managers' strategies and processes for exercising rights and conducting engagement activities periodically through a report provided by their investment advisors, usually annually alongside the preparation of the Implementation Statement, and will engage with the investment managers to the extent that any issues or questions are identified. In addition, the Trustees receive semi-annual reporting covering investment performance (net of fees and costs) and highlighting any other governance issues with managers.

The Trustees were satisfied that the managers' policies were reasonable and no further remedial action was required during the period. Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies, as set out in the Scheme's Statement of Investment Principles ("SIP"). Additional information on the voting and engagement activities carried out for the Scheme's investments are provided on the following pages.

The Trustees of the NATFHE Pension and Life Assurance Scheme September 2024

Voting Data

Voting only applies to equities held in the portfolio. The Scheme's equity investments are held through pooled funds managed by LGIM and Columbia Threadneedle. There are no voting rights attached to the other assets held by the Scheme, which include LDI, Cash and Corporate Bonds, and therefore there is no voting information shown below for those assets.

Data for the year to 31 March 2023	Legal & General Investment Management		Columbia Threadneedle
Fund name	UK Equity Index	World (ex UK) Equity Index Fund (GBP Hedged)	Dynamic Real Return Fund
Structure	Pooled		
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.		
Number of company meetings the manager was eligible to vote at over the year	709	2,867	344
Number of resolutions the manager was eligible to vote on over the year	10,462	34,635	4,988
Percentage of resolutions the manager voted on	99.8%	99.9%	99.9%
Percentage of resolutions the manager abstained from	0.0%	0.1%	1.1%
Percentage of resolutions voted <i>with</i> management	94.4%	78.0%	88.8%
Percentage of resolutions voted <i>against</i> management	5.6%	21.9%	10.1%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	4.6%	16.4%	n/a
Proxy voting advisor	ISS		ISS, IVIS, and Glass Lewis

Manager	Legal & General Investment Management	Columbia Threadneedle
Fund name	Passive equities: UK Equity Index Fund and World (ex UK) Equity Index Fund - GBP Hedged LDI: Leveraged Gilt Funds, Leveraged Index Linked Gilt Funds and Sterling Liquidity Fund Corporate Bonds: Active Global Corporate Bond Fund – GBP Hedged	Diversified Growth: Dynamic Real Return Fund
Does the manager perform engagement on behalf of the holdings of the fund?	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes

Manager	Legal & General Investment Management	Columbia Threadneedle
Number of engagements undertaken on behalf of the holdings in this fund in the year	UK Equity Index Fund: 313 engagements with 191 companies World (ex UK) Equity Index Fund: 561 engagements with 379 companies Corporate Bonds: 244 engagements with 119 companies	This data was not provided as data was only given at a firm level (see below).
Number of engagements undertaken at a firm level in the year	2,144 engagements with 2,006 companies	867 engagements with 1,424 companies*
Examples of engagements undertaken with holdings in the fund	<p>No fund level examples were given. The below example is at a firm level.</p> <p>APA</p> <p>APA is Australia's largest energy infrastructure business. Under LGIM's Climate Impact Pledge campaign, they have been engaging with the company directly since 2022; as one of their selected 'dial mover' companies, LGIM believe it has the scale and influence across its industry and value chain for its actions to have positive reverberations beyond its direct corporate sphere.</p> <p>LGIM expect companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of Scope 1, 2 and material Scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with the 1.5°C goal.</p> <p>As a consequence, when APA Group brought its climate transition plan to a vote, LGIM were unable to support it: although the plan presented Scope 1 and 2 goals for the medium and long term on a path to achieving net zero emissions by 2050, no Scope 3 targets were included. The company noted that these would be finalised no later than 2025.</p> <p>LGIM initiated engagement with the company after this vote, and met with them for the first time in early 2023 as part of their Climate Impact Pledge engagement. They have continued to build the relationship, setting out their expectations as per the net zero guide, working with the company to understand the hurdles it faces and the challenges to meeting these expectations.</p> <p>LGIM were very pleased that, in their meeting with them in early 2024, APA confirmed that they will include a Scope 3 goal in the 2025 refresh of their Climate Transition Plan, and they outlined their proposed Scope 3 reduction pathway. The company noted that feedback from the 20% of investors, including LGIM, who voted</p>	<p>No fund level examples were given. The below example is at a firm level.</p> <p>CoStar : This is a US based company within the professional services industry. Columbia Threadneedle (CT) reached out to the company ahead of the AGM to discuss the company's board composition, as they consider them to have excessive tenure with an average board tenure of 16 years vs their threshold of 13 years. The company emphasized they are looking to add new directors as well as update the mandates of the Gov. After their dialogue with the company, Columbia Threadneedle voted against two heavily tenured directors, one serving CoStar for 36 years and another serving CoStar for 21 years, as they also lead two key committees. CT will continue to monitor the evolution of the board composition and the mandates of the Gov. Committee.</p>

Manager**Legal & General Investment Management****Columbia Threadneedle**

against their proposed Climate Transition Plan in 2022, had solidified their decision to commit to a Scope 3 target.

*Columbia Threadneedle were unable to provide annual statistics to 31 March 2024, instead engagement statistics to 31 December 2023 are shown.

Appendix – Significant votes data

LGIM UK Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	BP Plc	Glencore Plc
Date of vote	23 May 2023	27 April 2023	26 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.0	3.8	2.4
Summary of the resolution(s)	Approve the Shell Energy Transition Progress	Re-elect Helge Lund as Director	Shareholder resolution "Resolution in Respect of the Next Climate Action Transition Plan"
How the manager voted	Against	Against	For
If the vote was against management, did the manager communicate their intent ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		LGIM co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, there was regular communication with the company ahead of the meeting.
Rationale for the voting decision	A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, they remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM note concerns around the governance processes leading to the decision to implement such amendments.	In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following their multi-year discussions with the company since 2016 on its approach to the energy transition.
Outcome of the vote	Pass (80%)	Pass (90%)	Fail (29%)
Implications of the outcome	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with the company and monitor progress.	

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered “significant”	<p>LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</p>	<p>LGIM consider this vote to be significant given their long-standing engagement with the company on the issue of climate.</p>	<p>LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of their engagement activity, targeting some of the world's largest companies on their strategic management of climate change.</p>

LGIM World (ex UK) Equity Index Fund - GBP Hedged

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	Apple Inc.	Amazon.com, Inc.
Date of vote	7 December 2023	28 February 2024	24 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.4	4.1	1.6
Summary of the resolution	Elect Director Satya Nadella	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Report on Median and Adjusted Gender/Racial Pay Gaps
How the manager voted	Against	Against	For
If the vote was against management, did the manager communicate their intent ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics		LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
Rationale for the voting decision	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	LGIM believe a vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
Outcome of the vote	Pass (94%)	Fail (% not provided)	Fail (29%)
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		LGIM will continue to engage with the company and monitor progress.
Criteria on which the vote is considered "significant"	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	

Columbia Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	Amazon.com, Inc.	Mastercard Incorporated
Date of vote	7 December 2023	24 May 2023	27 June 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.9	1.2	0.6
Summary of the resolution	Report on risks of operating in countries with significant human rights concerns	Report on impact of climate change strategy consistent with just transition guidelines	Reporting lobbying payments and policy.
How the manager voted	Abstain	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?		No	
Rationale for the voting decision	Columbia Threadneedle believes the company faces risks related to human rights in its global operations. Good practice includes disclosing further information regarding the human rights assessment process along with a narrative on how impacts are monitored and effectively mitigated.	Columbia Threadneedle believe that shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. They are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. Columbia Threadneedle believe that current disclosure does not sufficiently provide investors with information around alignment with Paris- or 1.5 degree emissions reduction targets.	Comprehensive, aggregate disclosure on political spending is best practice. Disclosure should include all state and local donations including support for 527 organizations and ballot initiatives. In addition, the company should identify key relationships with trade associations that engage in lobbying on the corporation's behalf, as well as describe its policies and processes for giving. Columbia Threadneedle ask that the board provide ultimate oversight for political donations.
Outcome of the vote	Fail (34%)	Fail (% not provided)	Fail (% not provided)
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of Columbia Threadneedle's research and investment process.		

Vote 1

Vote 2

Vote 3

**Criteria on which the vote is
considered “significant”**

Vote against management on certain environmental or social proposals & >20% dissent.