

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2025

## Annual Engagement Policy Implementation Statement

### Annual Engagement Policy Implementation Statement

#### Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 July 2025 (the Fund Year). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Fund Year, dated July 2025. The SIP is a document that sets out the principles and policies governing how decisions about scheme investments are made for a pension scheme. The Fund's SIP is available at <https://www.liverpool.ac.uk/hr/pensions/ulpf/documents/>.

The Trustee reviewed the Fund's SIP during the year following changes to the strategic asset allocation. The Trustee can confirm that all policies in the SIP have been followed in the Fund Year.

#### Investment Objectives of the Fund

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set. The Trustee's overall investment policy is guided by the following objectives:

- To ensure that the Fund's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Fund as they arise;
- The long-term aim of the Fund is to ensure that, together with future contributions, the Fund's assets provide sufficient income to meet benefits and any expenses payable under the Fund as they fall due;
- The Trustee wishes to adopt a suitable investment policy in terms of both long-run strategic asset allocation and implementation, that will enable the Fund's asset value to increase in a prudent manner;
- The Trustee wishes to manage the risk that the investment policy could lead to the accrual of future benefits ceasing to be provided under the Fund;
- Subject to the strategic asset allocation containing a suitable level of risk, the Trustee wishes to generate surplus funds beyond the amounts expected to be required to meet the cost of standard benefits due to be payable under the Fund;
- The Trustee wishes the Fund to be solvent in the event of a winding-up of the Fund;
- Each asset class has been considered and judged on merit for investment by the Trustee, having taken advice as appropriate from the Investment Advisor;
- To set and monitor appropriate benchmarks and performance targets for the investment managers;
- To pay due regard to the interests of the University of Liverpool ("the University") in relation to the volatility of the funding level and the payment of contributions.

#### Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in July 2025.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2025

Not all the investment managers have reported on the exact specific scheme year to 31 July 2025 and in these circumstances we have used the 12 months to 30 June 2025. The following work was undertaken in the year to 31 July 2025 relating to the Trustee's policy on ESG factors, Stewardship and Climate Change.

## **Engagement**

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee, through its investment consultant, reviews the investment managers' policies and engagement activities (where applicable) when the managers present to the Trustee.

The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Funds' investment managers, with the exception of DTZ Investors, confirmed that they are signatories of the current UK Stewardship Code 2020.

The strategic rationale for investing in different asset classes that help the Trustee to achieve the Fund's investment objectives remains the primary driver behind investment strategy decisions. However, within this context, the Trustee is increasingly considering how sustainable investment issues are integrated within investment processes in appointing new investment managers and monitoring existing investment managers.

The Trustee reviews investment performance reports on a quarterly basis, which includes the investment consultant's assessment of the extent to which the investment managers' integrate ESG into the investment process, as applicable. This assessment includes and allows for the investment managers' policy on voting and engagement, amongst other considerations. Where managers may not be highly regarded from an ESG perspective, the Trustee may undertake further engagement. The Trustee will also use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee meets with the investment managers regularly and may challenge decisions made including voting and engagement activity, if deemed appropriate.

The Fund's investment managers provided examples of instances where they had engaged with investee companies. These engagement initiatives are driven mainly through regular meetings or by voting on resolutions at companies' Annual General Meetings, related to various governance, social or environmental issues.

## **Voting and Engagement Activity**

### **Engagement Activity**

The following are examples of engagement activity undertaken by the Fund's investment managers, where relevant. Examples were provided by the investment managers.

### **BlackRock**

The Fund holds gilts and index-linked gilts with BlackRock and also held corporate bonds with them until January 2025. BlackRock believes that effective disclosure can lead to real change in how companies are managed for the benefit of all stakeholders. Engagement is core to BlackRock's stewardship program as it helps them assess a company's approach to governance, including the management of relevant environmental and social factors. BlackRock's engagement discussions centre on core governance practices that align with clients' long-term financial interests as investors – including board quality, the company's strategy and financial resilience, and executive incentives. BlackRock also engaged with companies on sustainability-related factors that are material to their business models, including management of potential risks associated with climate and natural capital, as well as the impacts of a company's operations on their workforce, and broader value chain. To that end, they conducted approximately 56 engagements relating to the Buy and Maintain Credit Fund during the year to 30 June 2025 (noting the Fund disinvested in January 2025).

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2025

## CQS

Over the year, CQS engaged with an American Steel manufacturer which was identified as a high carbon emitter. CQS sought to ensure that the business was being proactive and thoughtful in reducing their carbon footprint. During their engagement, the company disclosed that it will look into reducing emissions associated with their recent acquisition by leveraging their current industry leading technologies.

The Company highlighted that they have achieved their 2030 Greenhouse Gas reduction target and revised their targets in May 2025. These targets included a long-term target alignment with the Paris Agreement's 1.5 degrees Celsius scenario to reduce all emissions to near net zero by 2050. The Company also expressed that they could achieve lower emissions than the industry through the use of lower carbon fuels like natural gas, consuming higher amounts of recycled materials and purchasing renewable energy. CQS will continue to monitor progress.

## UBS

Due to the nature of their mandate, UBS do not invest in any listed companies and as such engagement in the traditional sense does not apply. However, UBS do actively collaborate with tenants, property managers and suppliers of services and materials to improve ESG outcomes. Over the year, UBS have made progress in reducing the operational carbon emissions of one of the offices held in the portfolio (70 Wilson Street, London EC2). The removal of all gas boilers and the complete electrification of the asset started in June 2024 with total capex of c. £2.5m. This was scheduled to be completed in 2025.

UBS formally survey their tenants at least once every three years on their general experience and sustainability. In the 2024GRESB Real estate Assessment, the Triton Property Fund ranked 2<sup>nd</sup> out of its peer group of UK Core, diversified strategies, achieving a four-star rating.

## JP Morgan

The JP Morgan Infrastructure Investment Fund (IIF) takes majority shares in unlisted companies, such that traditional engagement activity does not strictly apply. JP Morgan did however engage with El Paso Electric Company (EPE) over the year, an electric utility company serving over 450,000 residential, commercial, industrial, public authority and wholesale customers in Texas and New Mexico. IIF has been a 100% owner of the entity since July 2020. EPE works directly with its regulators on approval for energy transition and climate adaptation projects to make its portfolio cleaner and more sustainable. An example of this is EPE's receipt of regulatory approval to expand its Texas Community Solar Program with an additional 10 megawatt (MW) solar facility. This new solar facility will add to EPE's existing, fully subscribed, Texas Community Solar Programme and offer a discounted rate for income-qualified customers. The expansion will bring the programme's total capacity to 15 MW of community solar energy. This project will be the second expansion of its community solar programme since its initial launch, giving more customers the option of receiving their energy from a local, renewable energy resource without having to install their own generation system. There is also a similar community solar program in New Mexico that has been submitted for regulatory approval.

## DTZ

Due to the nature of their mandate, DTZ do not invest in any listed companies and as such engagement in the traditional sense does not apply. The fund does however undertake pre-acquisition Environmental Assessments on all assets as part of the underwriting and risk management process to identify potential ESG risks to future occupation, operations and value. Issues with direct financial relevance are integrated into the valuation and decision-making process. At disposal, the ESG risks are re-assessed to ensure confidence in the sale process with any financial implications understood and mitigated for.

## Aviva

Due to the nature of their mandate, Aviva do not invest in any listed companies and as such engagement in the traditional sense does not apply. Aviva are actively reviewing the portfolio to identify initiatives to decarbonise properties in line with the occupier's own business priorities and ambitions, as well as creating a positive social impact. In relation to the assets held in the Lime Property Fund, Aviva's central approach is to own or have a controlling interest in assets. As such, they are directly responsible for the management of the assets in respect of E, S and G issues in line with Aviva's Private Markets Responsible Investment and Sustainability Risk Policy.

The real estate long income team have dedicated team members responsible for the ongoing supervision, monitoring, and management of assets to ensure they meet their operating requirements and also the broader impact of the asset on the

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2025

environment and community. Aviva also commission operating reports with environmental impacts, health and safety incidents, change of directorships, and energy/carbon savings.

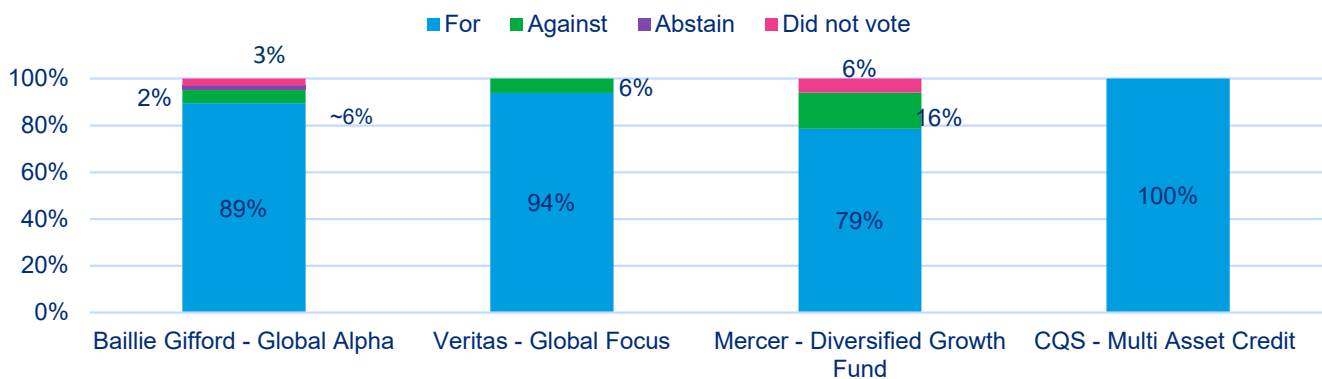
## Mercer Private Investment Partners (PIP)

The Mercer PIP private debt sleeves do not invest in any listed companies and as such engagement in the traditional sense does not apply. One of the underlying general partners held in the PIP VIII sleeve were able to share a number of examples of engagements with portfolio companies. One such example involved encouraging a UK accountancy company to reduce its Greenhouse Gas emissions intensity and improve its sustainability disclosures. The company has since set validated science-based targets and has reported on its carbon emissions for 2024.

## Voting activity during the Fund Year

The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting at least annually. These reports are reviewed as part of the production of this Statement.

A summary of the voting activity for the Fund’s equity investments is set out below. Over the prior 12 months, the Trustee has not actively challenged the investment managers of each externally managed fund on their voting activity, however managers have presented a summary of activity at meetings. The Trustee does not use the direct services of a proxy voter. The chart below summarises the proportion of votes that were ‘for’ or ‘against’ the proposal of company management.



<b>Total Eligible Proposals</b>	1,357	527	82,080	52
<b>% Eligible Proposals Voted</b>	97%	100%	94%	100%

Source: Investment managers. Data to 30 June 2025, other than for Veritas, where this is provided to 31 July 2025. Voting data related to the Mercer Diversified Growth Fund contains relates only to the underlying Mercer funds, excluding external managers.

## Significant Votes

Following guidance from the Department for Work and Pensions (‘DWP’), the Trustee is required to define what constitutes a ‘significant vote’ to guide the inclusions in this Implementation Statement. Votes that the Trustee considers ‘most significant’ are required to be included in this statement.

The Trustee defines significance according to holding size and therefore reports on votes relating to holdings accounting for over 2.5% of Net Asset Value (NAV) within each of the invested funds, measured as at 31 July 2025. This reporting is filtered according to the following stewardship priorities:

- Environmental (E) - Climate change
- Social (S) - Human rights (including modern slavery)
- Governance (G) – Diversity, equity and inclusion

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2025

The votes that the Trustee deems most significant are included below:

Fund	Issuer / Size of holding	Date	Stewardship Priority	Vote	Management Recommendation	Rationale	Outcome
Veritas Global Focus	Microsoft Corporation / 4.24%	10/12/2024	S - Report on Risks of Operating in Countries with Significant Human Rights Concerns	For	Against	Veritas believe shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.	Fail
Veritas Global Focus	Alphabet Inc. / 4.34%	06/06/2025	S - Publish a Human Rights Impact Assessment of artificial intelligence (AI) Driven Targeted Advertising	For	Against	Veritas voted in favour of this as an independent human rights impact assessment would strengthen the company's ability to address potential risks associated with its AI-driven advertising practices, particularly amid a recent data privacy settlement.	Fail
Baillie Gifford Global Alpha	Microsoft Corporation / 4.79%	10/12/2024	S – Publish a Report on the Implications of Siting Datacentres in Countries with Human Rights Concerns	Against	Against	Baillie Gifford opposed a shareholder resolution requesting a report on the implications of siting datacentres in countries with human rights concerns. They believe the company has a robust framework in place and ranks highly on its governance practices and there is clear evidence of a commitment to protect human rights.	Fail
Baillie Gifford Global Alpha	Amazon.com / 4.24%	21/05/2025	S – Request for Audit of Third-Party Warehouse Conditions	Against	Against	Baillie Gifford opposed a shareholder resolution requesting a third-party audit on warehouse working conditions. They believe the company continues to make demonstrable progress on health and safety. They continue to provide extensive disclosure and detailed safety metrics and continue to take pre-emptive action, investing in safety initiatives, tech, and programs. This is consistent with how Baillie Gifford have voted on this resolution previously.	Fail
Baillie Gifford Global Alpha	Amazon.com / 4.24%	21/05/2025	E – Report on Climate Goals Given Energy Demand from AI	For	Against	Baillie Gifford supported a shareholder resolution requesting a report explaining how it will meet its climate change goals given the massively growing energy demand from AI and Amazon's plan to build more data centers. Baillie Gifford think that how Amazon will meet the energy requirements of its rapid data centre build out is an investment material question as it will require considerable management time and capital allocation. Baillie Gifford therefore think additional information on Amazon's thinking would benefit shareholders.	Fail