



# Bangor University Pension & Assurance Scheme

Implementation Statement for Annual  
Report and Accounts

# Background and Implementation Statement

## Background

The Department for Work and Pensions ('DWP') has increased regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

## Statement of Investment Principles (SIP)

The SIP dated January 2023 can be found online at the web address:

[https://www.bangor.ac.uk/sites/default/files/2023-01/FINS\\_401%20BUPAS%20Statement%20of%20Investment%20Principles\\_0.pdf](https://www.bangor.ac.uk/sites/default/files/2023-01/FINS_401%20BUPAS%20Statement%20of%20Investment%20Principles_0.pdf)

## Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP dated January 2023. This report details:

- actions the Scheme has 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 Scheme 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 the investment mandate.
- As the Scheme held no assets with voting rights at the reporting year end, there is no commentary within this report on the Scheme's voting rights.
- This statement makes no reference to the Scheme's AVC arrangements

During the 12 months to 31 July 2023, the Scheme disinvested from its holdings in Artemis Global Equity, BlackRock UK Equity, and Vontobel Global Equity, in line with the Scheme's strategic plan. The Scheme also invested in Octopus Renewables over the period, with the mandate making its first capital call at the start of Q1 2023.

## Implementation Statement

This report demonstrates that Bangor University Pension & Assurance 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

The below risks reflect those outlined in the January 2023 SIP.

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To broadly hedge 100% of these risks.	
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/synthetic equity manager.	The Trustees instructed the full redemption from the BlackRock UK Property Fund to increase the Scheme's liquidity.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any risks deemed to be "unrewarded risks", where practicable.	
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 Trustees made allocations to Asset-Backed Securities ('ABS') and Buy & Maintain Credit over the year to increase credit diversification within the portfolio.
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 apply the ESG policy on pages 6/7 of this statement, including when appointing and monitoring managers	Post year-end the Trustees, via their investment advisor Isio, carried out an ESG impact assessment of the Scheme's portfolio. This highlighted areas where the Trustees could improve the

Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Investing predominantly in sterling assets, and only taking currency risk where it increases the level of diversification.  Where the Scheme's mandates have overseas exposure, the Trustees will implement a currency hedge appropriate for that mandate.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

# Changes to the SIP

The Trustees added the below policies to the SIP during the 12 months to 31 July 2023, to reflect regulatory requirement updates. In addition to the policy additions noted below, the Trustees made some formatting and phrasing changes to the document to bring it in line with the investment consultant's preferred wording.

## **Voting Policy - How the Trustees expect investment managers to vote on their behalf**

- The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

## **Engagement Policy - How the Trustees will engage with investment managers, direct assets, and others about 'relevant matters'**

- The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
- The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.
- Example stewardship activities that the Trustees have considered are listed below.
  - Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities.
  - Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustees' investment decision making.

# Current ESG policy and approach

## ESG as a financially material risk

The Trustees have formulated a set of ESG beliefs to help underpin overall investment decision making. The Trustees' ESG beliefs have been summarised below.

### Risk Management

1. ESG factors can be financially material and managing risks such as climate change forms part of the Trustees' fiduciary duty.
2. The Trustees wish to invest in managers and funds that exhibit best practice ESG integration. Positive tilts to ESG factors will be made where the Trustees feel that these investments will generate superior long-term returns and/or lower risk.
3. The Trustees will consider the ESG values and priority areas of the sponsor, where this is not conflicted with the Trustees' fiduciary duty.

### Approach/Framework

4. The Trustees want to understand how investment managers integrate ESG considerations into their investment process and in their stewardship activities; and will include reference to ESG capabilities in future manager searches.
5. The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will seek to allocate to these sectors
6. The Trustees place particular importance on exposure to climate risk and so will take steps to mitigate exposure to this where practical.

### Voting & Engagement

7. The Trustees want to understand each investment managers' approach to engaging with portfolio companies and the effectiveness of these activities.
8. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.
9. The Trustees believe that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance.

### **Reporting & Monitoring**

10. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge.
11. The Trustees will monitor suitable, quantifiable ESG metrics to understand the impact of the Scheme's investments.
12. The Trustees will communicate the ESG approach to the Scheme's members.

### **Collaboration**

13. Investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI, TCFD and Stewardship Code.

# 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-month period to the end of July 2023. The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights where applicable. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

Fund name	Engagement summary	Commentary
Abrdn Multi Sector Private Credit Fund	<p>Abrdn currently does not report engagement statistics at the fund level. The below figures are at the firm level, covering the 12-month period to 31 December 2022.</p> <p>Total engagements: 2484 Environmental: 2100 Social: 1555 Governance: 2267</p> <p>Figures do not sum due to some engagements falling under more than one category.</p>	<p>Given the nature of the private credit asset class, engagement is not carried out in the traditional sense that would be expected in public markets. However, Abrdn does have regular meetings with portfolio companies throughout the year.</p> <p>An example of an ESG related engagement with a portfolio company includes:</p> <p><b>ASE Finance III</b> – Abrdn engaged with the company to introduce the following green sustainability KPI's:</p> <ol style="list-style-type: none"> <li>1. Energy efficiency - decrease energy usage 2.5% per annum.</li> <li>2. Zero waste to landfill - targeted 65% recycling by 2027.</li> <li>3. Implementation of green lease on new lease agreements/ 50% or all new leases to have a sustainability clause.</li> </ol> <p>All of the above KPI targets were met and verified by a third party.</p>



<p>Allianz Global Multi Sector Credit Fund</p>	<p>Allianz currently does not report engagements at the fund level. The below figures are at the firm level.</p> <p>Total engagements: 490</p> <p>Allianz do not report on the number of engagements across each theme.</p>	<p>Allianz have developed a robust and thorough firm-level ESG framework and actively participate in industry decisions.</p> <p>Allianz are unable to provide specific examples of ESG engagement at fund level, however at firm level, an example of ESG engagement includes:</p> <p><b>Petroleos Mexicanos.</b> - Allianz approached the company to challenge their climate transition targets and pathways, focusing on client risk assessment.</p>
<p>BlackRock UK Property Fund</p>	<p>Total engagements: 80</p> <p>Environmental: 28 Social: 24 Governance: 72</p> <p>Figures do not sum due to some engagements falling under more than one category.</p>	<p>BlackRock focus on a range of issues that fall within each of the environmental, social and governance (ESG) categories where they assess whether there is potential for material long-term financial impact on a company's performance.</p> <p>BlackRock's approach to corporate governance and stewardship is detailed in their global principles, which are reviewed annually and updated to reflect changes in market standards and governance practices.</p> <p>BlackRock didn't provide any examples of their ESG engagement.</p>
<p>Octopus Renewable Infrastructure</p>	<p>Octopus are unable to engage with their portfolio companies as they directly own and run them. However, they have provided examples of ESG engagements with wider market participants.</p>	<p>Octopus' ESG team engaged with a climate risk advisor, Climate Scale, to conduct climate risk assessments for the Partnership's assets and portfolio companies using Intergovernmental Panel on Climate Change, "IPCC", temperature scenarios and the climate modelling. This identified physical risks that could affect the Partnership's investments under future potential temperature scenarios.</p>

Schroders LDI	<p>Schroders only report engagements annually, covering the 12-month period to 31 December 2022.</p> <p>Total engagements: 43</p> <p>Environmental: 13 Social: 13 Governance: 7</p> <p>Some of the engagements were not ESG related.</p>	<p>Schroders have developed a robust and thorough firm-level ESG framework and actively participate in industry decisions. They are signed up to the Net Zero Asset Manager Initiative and participate in group engagements via the Impact Investing Institute.</p> <p>Schroders engage directly with various government bodies such as the Bank of England and the Debt Management Office, "DMO" on market liquidity and gilt issuance</p>
Schroders Buy & Maintain Credit / ABS	<p>Schroders only report engagements annually, covering the 12-month period to 31 December 2022.</p> <p>Total engagements: 96</p> <p>Environmental: 126 Social: 15 Governance: 53</p> <p>Figures do not sum due to engagements falling under more than one category.</p>	<p>An example of an ESG related example is:</p> <p><b>JP Morgan</b> – Schroders engaged with JP Morgan to push the company to report carbon and emission metrics in line with TCFD reporting requirements.</p>

# Voting (for funds with voting rights only)

The Scheme does not invest in any funds with voting rights.

