

University of Manchester Superannuation Scheme: Annual Engagement Policy Implementation Statement

Introduction

This Annual Engagement Policy Implementation Statement (the 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. 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.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

'The primary goal of the Trustee is to achieve a fully funded position on a low risk basis, whilst meeting statutory requirements on a Technical Provisions funding basis. The Trustee has a duty to invest the assets of the Scheme in a manner which, over the life of the Scheme, should enable the Trustee to provide the promised benefits under the rules.'

To help achieve the primary objective, the Trustee has agreed to implement an investment strategy that targets an expected return of around 1.25% p.a. (net of fees) above the return available on government gilts to support the approach used to value the Scheme's liabilities. This investment return target was chosen taking into account the associated level of risk. The Trustee is aware (and comfortable) that the expected return of the investment strategy for the Scheme may vary from gilts + 1.25% p.a. (net of fees) from time to time as strategic changes are implemented and/or with changing market conditions.

If funding improves as a result of better than expected investment returns, the Trustee, in consultation with the University, expects to consider whether to use the opportunity to reduce risk, or to continue to maintain the level of risk with a view to improving the funding level position further.'

The SIP was not updated during the Scheme year. The SIP can be found [here](#).

Policy on Environmental, Social & Governance (ESG) issues, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on ESG issues, 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 Statement sets out how, and the extent to which, the Engagement Policy has been followed during the year to 31 July 2025 with respect to the SIP.

The Trustee considers that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration.

Statement on ESG, Stewardship and Climate Change	Comments
<p>Ongoing Monitoring</p> <p>The Trustee regularly monitors and challenges how the investment managers integrate ESG issues within their investment processes and uses the ESG ratings of its Investment Consultant as part of overall investment manager monitoring and review.</p> <p>Monitoring of the existing investment managers is undertaken on a regular basis and this makes use of the Investment Consultant's ESG assessment framework.</p>	
	<p>The Investment Sub-Committee (ISC), a sub-set of the Trustee, previously received quarterly ESG ratings from its Investment Consultant on each investment manager. If a manager was not highly rated from an ESG perspective the ISC challenged managers to encourage continued progress.</p>
	<p>Following an update to how, Mercer Manager Research assess the materiality and relevance of ESG to the particular asset classes and where relevant, the extent to which financially material environmental, social, and corporate governance (ESG) factors are integrated into the investment manager's investment process and decision-making across asset classes. ESG factors are incorporated into the investment due diligence process on the basis that these issues can potentially impact revenue, operating costs, competitive advantage, and the cost of capital.</p>
	<p>The Trustee's investment consultant assigns ESG 'relevance' and 'ESG integration' indicators to the strategies of investment managers, reflecting the relevance of ESG to the individual strategy, and where relevant, how ESG risks and considerations are incorporated into the investment process. The Trustee considers the mandates in place over the year to have been generally above average in terms of ESG integration in the investment process. The Trustee notes that in fixed income assets, due to the nature of the asset class, it is harder to engage with the issuer of debt and therefore a higher ESG relevance rating is more difficult to achieve.</p>
	<p>In addition to information on ESG provided to the ISC by its investment consultant, the ISC challenges the appointed investment managers on the integration of ESG issues as part of the annual manager review days. Following the 2025 review day in February, the ISC placed one of its managers under closer review due to a perceived lack of progress in the integration of climate change considerations. This resulted in the investment consultant engaging with the investment manager to express the ISC's concerns. Post year end, the investment manager adopted a climate alignment conviction</p>

framework, which will help the ISC understand how the investment manager's Fund evolves over time.

Voting and Engagement

The Trustee monitors voting activity to verify that the managers are actively voting in investee companies and engaging with management to encourage strong corporate governance and responsible business behaviour.

As the Scheme invested solely in pooled funds over the Scheme year, the Trustee required its investment managers to engage with investee companies on its behalf.

Investment managers provide reporting on a regular basis, at least annually, including stewardship monitoring results. These are reviewed by the Trustee (see voting activity below).

The voting activity section provides information to show how actively the appointed equity manager exercised its voting rights over the Scheme year and in particular how it exercised voting rights in relation to the Trustee definition of a 'significant vote'.

The Trustee is comfortable with the way the appointed equity manager voted and engaged with investee companies during this Scheme year.

UK Stewardship

Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.

All of the Scheme's investment managers confirmed that they are signatories of the current UK Stewardship Code.

See below a link to the Financial Reporting Council's website where all signatories to the code can be found. Managers' submissions can also be viewed on this site.

[Financial Reporting Council's Website.](#)

Manager arrangement policies

Section 12 of the SIP details the Trustee's policies as regards the arrangements with the Scheme's investment managers:

1. Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage.

1. How the arrangements with the investment managers incentivise the managers to align their investment strategy and decisions with the Trustee's policies.

As part of this, to maintain alignment of the investment manager's investment strategy and decisions with the Trustee's own policies, the ISC undertakes due diligence ahead of investing, and on an ongoing basis to ensure it is aware of the:

- underlying assets held and how they will allocate between them;
- risks associated with the underlying mix of assets and the steps the investment manager takes to mitigate them;
- expected return targeted by the investment managers and details around realisation of the investment; and
- impact of financial and non-financial factors, including but not limited to ESG factors and climate change, on the investments over the long term.

2. How the arrangements incentivise the manager to make decisions based on assessments of medium to long-term performance of an issuer and to engage with the issuer of debt or equity in order to improve their performance in the medium to long-term.

2. The ISC meets with each investment manager as deemed appropriate, to discuss performance and other investment related matters (including integration of ESG and climate change considerations into the investment process and voting and engagement activities). As part of this, the ISC will challenge decisions that appear out of line with the Scheme's stated objectives and/or policies. The ISC monitors the extent to which its pooled investment managers:

- make decisions based on assessments about medium to long-term performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

3. How the method (and time horizon) of the evaluation of the manager's performance and the remuneration for asset management are in line with the policy of the Trustee.

3. The ISC receives reports on investment manager performance on a quarterly basis, which present performance information over a range of time periods. The ISC reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and performance against the manager's stated target (over various time periods), on a net of fees basis. The ISC's focus

is primarily on long-term performance but short-term performance is also reviewed.

The investment managers levy fees based on a percentage of the value of the assets under management. In addition, some of the investment managers also levy a performance related fee element.

4. How the Trustee monitors portfolio turnover costs and how they define and monitor it.

4. Over the year to 31 July 2025 portfolio turnover and associated costs were monitored amongst investment managers.

Turnover is the rate of buying and selling securities in the portfolio. A fund or portfolio that changes securities in the portfolio frequently is said to have a high turnover. As a result, turnover and associated costs for private market managers were immaterial due to the nature of the funds, with the majority of managers encountering no turnover (or costs) in their funds.

The ISC monitors investment manager performance net of all fees, including transaction costs. These costs are implicitly monitored as part of the ongoing performance monitoring of investment managers against their stated benchmarks.

The most significant turnover within the Scheme was with respect to the Impax Global Equity mandate that produced a c. 54.5% turnover over the year to 31 July 2025 with associated turnover costs of c. 0.17%. A level of turnover is to be expected within this fund due to the nature and objective of the strategy. There were also turnover costs in relation to the M&G Sustainable Total Return Credit Fund of c. 0.11%.

5. Duration of arrangement with Managers

5. As the Trustee is a long-term investor, it appoints investment managers with an expectation of a long-term partnership. The focus of performance assessments is on longer-term outcomes so the Trustee would not ordinarily expect to terminate a manager's appointment based purely on short-term performance. The legal terms vary from manager to manager.

Where the Scheme invests with a manager, the Trustee expects to retain the manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

For investment in a closed-ended vehicle with an investment manager, the Scheme is invested for the lifetime of the strategy (which is disclosed to the Trustee at point of investment).

Engagement Activity

The Trustee has delegated engagement with equity and debt issuers to the Scheme's appointed investment managers, through owning units in pooled funds.

The ISC monitors engagement carried out on the Trustee's behalf during meetings with the Scheme's investment managers. During the year, the ISC met with M&G, LGIM, Impax, RLAM & Aviva. Examples of engagements that the ISC considered to be significant are provided below.

Impax

Collaborative engagements and joint representations with other institutions and investors are an important part of Impax's stewardship work. The manager initiates collaborative engagements where the engagement and outreach may particularly benefit from a larger group of shareholder involvement or in cases where an issue is being escalated. Collaborative engagements are conducted across a number of issues and specific sectors and companies. Impax will not participate in collaborative engagements that could be interpreted as investors acting in concert. Examples of Impax's collaborative engagement activity include;

Physical Climate Risk – Over a number of years, Impax, together with a New York-based public plan and other investors, has engaged with companies regarding their exposure to and preparedness for extreme climate events. Following the initial outreach to the S&P 500 in 2020 and smaller, focused engagements throughout 2021-2024, Impax have found that companies are now more likely to understand that physical risk can pose material risks to their business, but there remains a significant gap between what investors need to know and what companies are doing in evaluating physical risks. Many companies have adjusted their business continuity plans or conducted their own analyses of their value chain vulnerabilities, but this is very far from conducting the kind of analysis – including scenario analysis – needed to price physical risk.

In 2024, Impax's engagement focused on utility companies and efforts to make their generation and transmission assets more resilient to extreme weather; utilities are often

subject to litigation when their transmission lines start wildfires. Impax found that utilities vary widely in the companies' perception of climate physical risk, and preparedness for it. Without exception, the companies best prepared to deal with future climate disasters have already been through at least one, such as a major wildfire incident, and that the lessons learned changed their planning processes.

In 2025, the investor group will focus on reinsurance companies and their efforts to support climate resilience and adaptation.

Nature Action 100 – Impax became a signatory to the Nature Action 100 initiative led by the Institutional Investors Group on Climate Change and Ceres in 2023. The initiative established a set of six investor expectations pertaining to corporate ambitions, assessment, targets, implementation, governance, and engagement with stakeholders. In 2024, Impax participated in collaborative engagements with all five companies allocated to Impax. Impax have seen varying levels of company responsiveness and engagement with the initiative. As a co-lead on the engagement group with Unilever, Impax initiated an initial engagement meeting asking the company to undertake an in-depth assessment of its dependencies and impacts on nature.

Outcome: The company committed to disclosing and discussing the outcomes of this assessment with the group when complete, which was anticipated by end of 2024. Despite a positive first meeting, given multiple leadership changes and turnover at the company over the last 18 months, and resulting changes to their strategy, progress has been limited to date. The group was pleased to see the publication of Unilever's updated Climate Transition Action Plan in April 2024, with a strong focus on regenerative agriculture and forest risk commodities and has scheduled a follow-up meeting in 2025 to discuss progress.

People – Impax has been engaging with Japanese companies regarding gender diversity on Japanese company boards for many years. During 2024, Impax continued to advance gender diversity within the boards and management of investee companies, actively collaborating with firms to foster inclusive leadership structures. Impax are encouraged that following multi-year engagements, several companies have recently taken steps to improve female representation at the board level, including Misumi and Daifuku, where board gender diversity has improved to 22% and 18%, respectively, as of early 2025.

RLAM

RLAM are signatories to a number of investor engagement initiatives including Climate Action 100+ ("CA 100+"), Nature Action 100 (NA100) and the Net Zero Engagement Initiative (NZEI). As an example of engagement, RLAM engaged with Electricite de France SA (EDF), to discuss the company's latest results in the CA100+ benchmark. The company has performed well according to that assessment, with several observed improvements. RLAM's Climate Transition Assessment also recognises the positive steps taken by the company, which is now classified as 'aligned to net zero pathway' and the focus areas communicated with the company include:

- Scope 3 decarbonisation pathway
- Renewable and nuclear energy development plans
- Metrics and KPIs on just transition.

RLAM will continue to engage with EDF, particularly on the Scope 3 decarbonisation which the company have flagged they wish to discuss. Consistent investment in decarbonised

activities and clarity on offsets strategy has led to RLAM's view of the company's overall alignment improving to be 'aligned to a net zero pathway'.

Voting Activity

The Trustee has delegated its voting rights to the Scheme's equity investment manager, Impax, through owning units in a pooled fund.

For the purpose of this Statement, the Trustee has requested that Impax report their voting behaviour and the impact this has had on the Scheme over the year to 31 July 2025. The key voting activity on behalf of the Trustee is summarised in the table below.

Voting data to 31 July 2025	Impax
No. resolutions eligible to vote	626
% resolutions voted on where eligible	100.0%
Of resolutions voted, % with management	88.2%
Of resolutions voted, % against management	9.6%
Of resolutions voted, % abstained	1.8%
Of resolutions votes, % withheld	0.0%

Impax uses Glass Lewis as a research tool and its viewpoint as the platform for proxy voting. Impax have used Glass Lewis as its proxy voting service provider since March 2019. Impax's voting policy can be viewed on this site: [Impax Asset Management Proxy Voting Policy](#)

Over the year to 31 July 2025, 626 proposal votes were cast across underlying companies in the fund. Impax voted against management 60 times (9.6% of votes) and abstained from voting 11 times (1.8% of votes). Where voting against management, Impax did not communicate their intent to the company ahead of any of the votes.

Significant votes

Following the Department for Work and Pensions' (DWP) consultation response and outcome regarding Implementation Statements on 17 June 2022 (*"Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non Statutory Guidance"*) updated guidance was issued regarding the definition of a significant vote.

Following consultation with Mercer, the Trustee decided that the following areas, based closely on the UN Sustainable Development Goals ("UN SDGs"), which is one of the areas of focus in the Scheme's Responsible Investment Policy, as fulfilling the criteria of a significant vote:

Environment:

- **Climate Change:** Low carbon transition and physical damages resilience.

- **Pollution and Natural Resource Degradation:** Air, water, land (forests, soils and biodiversity).

Social:

- **Human Rights:** Modern slavery, pay & safety in workforce and supply chains and abuses in conflict zones.

Governance:

- **Diversity, Equity and Inclusion (DEI):** Inclusive & diverse decision making.

Manager / Fund	Significant votes
Impax Global Opportunities Strategy	<p>Cintas Corporation. (c.2.8% of holdings)</p> <p>Shareholder Resolution - "Shareholder Proposal Regarding Diversity and Inclusion Report"</p> <p>Date of vote: 29 October 2024</p> <p>Voting: For</p> <p>Manager Rationale: "Noting recent improvements in board level gender diversity in the past year, this remains 0% at top management level, hence increased focus on the effectiveness of the company's DEI efforts is appropriate (including beyond top leadership levels)."</p> <p>Vote Outcome: 25% votes FOR</p> <p>Criteria that this vote meets: Governance</p> <p>Next Steps: Ahead of Cintas' 2025 AGM, Impax have requested further engagement with the company.</p>
Impax Global Opportunities Strategy	<p>Cintas Corporation. (c.2.8% of holdings)</p> <p>Shareholder Resolution - "Shareholder Proposal Regarding GHG Targets and Alignment with the Paris Agreement"</p> <p>Date of vote: 29 October 2024</p> <p>Voting: For</p> <p>Manager Rationale: "As last year, company does not have any target-setting for GHG emissions reductions, despite a longer-term commitment to Net Zero emissions by 2050, hence the ask of setting interim GHG targets is appropriate. Note company does also not yet align its disclosures with the TCFD framework."</p> <p>Vote Outcome: 25% votes FOR</p> <p>Criteria that this vote meets: Environmental</p> <p>Next Steps: Ahead of Cintas' 2025 AGM, Impax have requested further engagement with the company.</p>
Impax Global Opportunities Strategy	<p>Microsoft Corporation. (c.4.4% of holdings)</p> <p>Shareholder Resolution - "Shareholder Proposal Regarding Report on Siting in Countries of Significant Human Rights Concern"</p> <p>Date of vote: 10 December 2024</p> <p>Voting: For</p>

	<p>Manager Rationale: "Supportive of additional disclosure concerning the company's human rights due diligence and risk management."</p> <p>Vote Outcome: 18% votes FOR</p> <p>Criteria that this vote meets: Social</p> <p>Next Steps: Outreach sent to company as part of Impax's governance engagement workstream; request for further engagement.</p>
Impax Global Opportunities Strategy	<p>Keyence Corporation. (c.2.6% of holdings)</p> <p>Shareholder Resolution - "Elect Yu Nakata"</p> <p>Date of vote: 13 June 2025</p> <p>Voting: For</p> <p>Manager Rationale: "Impax vote against the Chairman when CEO and Chair are held by the same person and a lead independent director has not been appointed. Note also board gender diversity <15% EM guideline), with no Nomination Committee. Vote against Chair of the Board as best equivalent director."</p> <p>Vote Outcome: 18% votes FOR</p> <p>Criteria that this vote meets: Governance</p> <p>Next Steps: Post-proxy season outreach sent; request for further engagement with the company</p>