University of Wales Superannuation Scheme: 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. An updated SIP was prepared by the Trustees during the year, with a copy to be made available on a publicly accessible website once signed post year-end. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

During the Scheme year under review, investment assets were governed by the SIP in force dated January 2025. In May / June 2025, the Scheme de-risked its investment strategy, and an updated SIP to reflect this change was agreed by the Trustee in July 2025. Consequently, the Scheme's asset allocation at the end of the Scheme year did not correspond with the SIP that was in force at the commencement of the Scheme year, but instead was aligned to the SIP that was agreed by the Trustee at the Scheme year-end to reflect the de-risking that had taken place.

Investment Objectives of the Scheme

The objectives set out here, and the risks and other factors referenced are those that the Trustees determine to be financially material considerations in relation to the Scheme. The Trustees are required to invest the Scheme's assets in the best interest of the members, beneficiaries and the University and in the case of a potential conflict of interests in the sole interest of the members and beneficiaries. Within this context the Trustees' main objectives with regard to investment policy are:

- To make sure that the Trustees can meet the obligations which have been promised to the beneficiaries of the Scheme by the University.

- To ensure consistency with the Scheme's funding arrangements.

- To pay due regard to the University's interest in the size and incidence of the University's contribution payments.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term. However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The following work was undertaken during the year to 31 July 2025 relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

As described in the SIP, the Trustees will not consider the ESG policies of Additional Voluntary Contributions (“AVCs”) providers and associated investment funds as these are a small proportion of total assets.

Engagement

- Mercer Manager Research considers, where relevant, the extent to which financially material environmental, social, and corporate governance (ESG) factors are integrated into the 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.

- The Trustees’ investment consultant, Mercer Limited (“Mercer”), 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. Mercer has highlighted that the gilt funds invested in with L&G are ‘out of scope’ regarding ESG considerations, given the difficulties surrounding engagement and ESG integration into these strategies. Mercer mark L&G’s corporate bond and diversified growth funds as ‘integrated’, as ESG factors are fully integrated into investment due diligence, and key decision makers will take this information into account in their decision-making process on a consistent basis, while passive equity is considered ‘out of scope’.

- The Trustees requested that the investment manager, L&G, confirm compliance with the principles of the UK Stewardship Code. L&G confirmed that they have been a signatory of the current UK Stewardship Code since its inception and remain a signatory on the latest iteration of the UK Stewardship Code as at 11 February 2025.

- The Trustees also received details of relevant engagement activity for the year from L&G, which are listed below.

  L&G:

  - L&G engaged with companies over the year on a wide range of different issues including ESG factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those linked to the Paris agreement).

  - From a climate standpoint, in June 2025 L&G announced they had published their Climate Impact Pledge results from their latest cycle of engagement which aims to raise market standards and encourage companies to play their part in achieving the goals of the Paris Agreement. Over the proxy voting period, L&G saw an improved performance across the market on their CIP ratings. This indicates significant improvements in disclosure, as well as in how companies are planning and managing their approach to climate change and nature risk. Helping drive market improvement is one of the aims of L&G’s ‘wider’ written engagement campaign. The results of these improvements have contributed to a 46% decrease in the number of companies identified for potential votes against the chair of the board in the 2025 AGM season.

- In terms of engagement on 'social' factors, L&G highlighted that a diverse mix of skills, experience and perspectives is essential for a company and its board to function and perform optimally. Driving diversity at companies is a strategy that L&G believe is financially material, directly linked to value creation, and is a tangible action that investors can encourage. In the fourth quarter of 2024, L&G wrote to 24 FTSE 250 and 27 Russell 1000 companies to indicate that, based on research from data available through information providers, they had identified them as not meeting the expectations set out above, and therefore as being potentially subject to a vote against the Chair's re-election at their upcoming AGM. L&G confirmed that they had received a strong response from the FTSE 250 companies that they wrote to, some providing them with an explanation that allowed L&G to provide the company with more time to meet their expectations. As a result of the responses, L&G are currently set to vote against 13 FTSE 250 companies in 2025. L&G did not receive responses from the 27 Russell 1000 companies; and recognise that they are operating against a different political backdrop to the UK.

- With regards to engagement on governance issues, L&G confirmed that on 28 March, the Japan Financial Services Agency (FSA) requested all 4,000 listed companies in Japan to publish their annual securities reports (Yuho) before their AGMs. The Yuho contains the fully audited financial statements and other important governance and sustainability related information, which investors need to make informed voting decisions. However, more than 90% of Yuhos are currently published the day of or a few days after the AGM. L&G were in agreement with the FSA, in that the finance minister's latest request to publish the Yuho "a day before or a few days before the AGM" is just the first step but it is nonetheless an encouraging development regarding a long-standing issue. While L&G understand the initial challenges for companies, they will continue their engagement with regulators and companies to help drive further change as they believe that real governance and investor dialogue improvements will only be possible if Yuhos are published three to four weeks before the AGM.

- L&G provided examples of instances where they had engaged with companies which they were invested in (or were about to invest in) which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that L&G invest in or by voting on key climate-related resolutions at companies' Annual General Meetings. The resolutions are often co-filed by a number of investors who indicate whether or not they support the resolution to the company's management.

Voting Activity

From the inception of this statement, L&G is expected to provide voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustees' investment advisor, on behalf of the Trustees, to ensure voting activity undertaken aligns with their overarching investment policy and the policies set out within the SIP. Any material deviations from the SIP will be raised and discussed with the Trustees.

Currently, the Trustees ask L&G to highlight key voting activity and the impact on the portfolio. The Trustees are looking to enhance reporting on voting activity by reviewing an annual voting and engagement report which is produced by the Trustees' investment consultant.

The Trustees do not use the direct services of a proxy voter, although L&G does employ the services of proxy voters in exercising its voting rights on behalf of the Trustees.

L&G's Investment Stewardship team uses the Institutional Shareholder Services (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The use of ISS recommendations is purely to augment internal research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the ISS research reports for UK companies when making specific voting decisions. All voting decisions are made by L&G and they do not outsource any part of the strategic decisions.

In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation. This includes, but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at L&G's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

The voting policy of the manager has been considered by the investment consultant, on behalf of the Trustees, who deems it to be consistent with the Trustees' investment beliefs.

Over the last 12 months, key voting activity on behalf of the Trustees was as follows:

L&G World Equity Index*:

There have been 2,839 meetings in which L&G were eligible to vote over the year, in which there were a total of 35,343 resolutions. L&G voted on 99.9% of resolutions on which they were eligible, voting with management 79.4% of the time.

L&G Diversified Fund*:

There have been 10,460 meetings in which L&G were eligible to vote over the year, in which there were a total of 104,120 resolutions. L&G voted on 99.9% of resolutions on which they were eligible, voting with management 76.5% of the time.

**L&G provided voting statistics over the year to 30/06/2025.*

Significant Votes

DWP released a set of Engagement Policy Implementation Statement requirements 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" to be adopted in all Engagement Policy Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

- A significant vote is defined as one that is linked to the Scheme's stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;
- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

The Trustee has identified votes that relate to ESG. Given the number of significant votes supplied, the Trustee has applied a size filter on grounds of materiality. Given the differing nature of the L&G Equity and the Diversified Fund in which the Scheme is invested, votes are only considered to be significant if in relation to a company that constitutes 1.25% or more (L&G Equity Funds), or 0.3% (L&G Diversified Fund) or more of the specific fund. The significant voting information can be found in the following section.

Voting: L&G World Equity Index*

Manager / Fund	Significant votes
L&G World Equity Index	**Microsoft Corporation** **Shareholder Resolution** - "Report on AI Data Sourcing Accountability" **Date of vote:** 10 December 2024 **Size of holding:** 4.1% of portfolio **Voting:** Against Management **Manager Rationale:** "A vote for this resolution was warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models." **Was this communicated to company ahead of vote:** L&G publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G 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. **Vote Outcome:** Resolution failed **Next steps:** L&G will continue to engage with the company and monitor progress. **Criteria that this vote meets:** Governance
L&G World Equity Index	**Meta Platforms Inc.** **Shareholder Resolution** - "Elect Director Peggy Alford"

	Date of vote: 28 May 2025 **Size of holding:** 1.7% of portfolio **Voting:** Against Management **Manager Rationale:** "A vote against is applied as L&G expects companies to elect an independent lead director where there is a combined Board Chair and CEO. **Was this communicated to company ahead of vote:** L&G publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G 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. **Vote Outcome:** Not disclosed. **Next steps:** L&G will continue to engage with the company and monitor progress. **Criteria that this vote meets:** Governance
L&G World Equity Index	**Alphabet Inc.** **Shareholder Resolution** - "Elect Director John L. Hennessy" **Date of vote:** 6 June 2025 **Size of holding:** 1.3% of portfolio **Voting:** Against Management **Manager Rationale:** "A vote against is applied to the (re-)election of a non-independent director due to lack of independence on the board." **Was this communicated to company ahead of vote:** L&G publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G 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. **Vote Outcome:** Resolution Passed **Next steps:** L&G will continue to engage with the company and monitor progress. **Criteria that this vote meets:** Governance

Voting: L&G Diversified Fund*

Manager / Fund	Significant votes
L&G Diversified Fund	**Microsoft Corporation** **Shareholder Resolution** - "Report on AI Data Sourcing Accountability" **Date of vote:** 10 December 2024 **Size of holding:** 0.3% of portfolio **Voting:** Against Management **Manager Rationale:** "A vote for this resolution was warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to

	responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models”. **Was this communicated to company ahead of vote:** L&G publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G 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. **Vote Outcome:** Resolution failed **Next steps:** L&G will continue to engage with the company and monitor progress. **Criteria that this vote meets:** Governance
L&G Diversified Fund	**Prologis Inc.** **Shareholder Resolution** - “Elect Director Hamid R. Moghadam” **Date of vote:** 22 May 2025 **Size of holding:** 0.3% of portfolio **Voting:** Against Management **Manager Rationale:** “A vote against is applied as L&G expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. **Was this communicated to company ahead of vote:** L&G publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is L&G 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. **Vote Outcome:** Not disclosed **Next steps:** L&G will continue to engage with the company and monitor progress. **Criteria that this vote meets:** Governance

**L&G provided voting statistics over the year to 30/06/2025.*