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 2024 (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 2023. 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 did not review the Fund's SIP during the year. 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;
- 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 2023.

Not all the investment managers have reported on the exact specific scheme year to 31 July 2024 and in these circumstances we have used the 12 months to 30 June 2024. The following work was undertaken in the year to 31 July 2024 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, relative to the peer group, 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 corporate bonds and index-linked gilts with Blackrock. 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 116 engagements relating to the Buy and Maintain Credit Fund during the year.

CQS

Over the year, CQS engaged with a US based personal finance and financial technology company. CQS believed that the company's low existing MSCI ESG rating was mostly based on lack of disclosure. As a result, they sought to engage with the business to encourage them in their efforts on best practices. CQS encouraged the firm to complete the Carbon Disclosure Project (CDP) questionnaire, in addition to responding more comprehensively to MSCI.

CQS offered some indicative examples of difficulties other companies faced when engaging with MSCI in order to encourage them to persist in their efforts.. The company inquired about CQS's approach in order to understand how they can improve their own. They have started reporting CO2 for Scope 1&2, but have yet to disclose further data and disclosure on setting targets. CQS continue to monitor their progress. 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. UBS formally survey their tenants at least once every three years on their general experience and sustainability. In the 2023 GRESB Real estate Assessment, UBS led the "UK Diversified" category for the 7th year running as the only strategy in its peer group of 113 to be 5-star rated.

JP Morgan

The JP Morgan Infrastructure Fund takes majority shares in unlisted companies, such that traditional engagement activity does not strictly apply. JP Morgan has 100% ownership of Peaks Renewables ("Peaks"), which is a renewable energy development company specializing in the development of low carbon, carbon-neutral, and carbon-negative fuels like renewable natural gas (RNG) and green hydrogen. Over the year, Peaks was awarded funds from the U.S. Department of Energy to develop the nation's first, on-system biomethane hydrogen pilot at its dairy digester RNG project in Clinton, Maine. Peaks is working with six Maine-based, family-owned dairy farms to generate homegrown RNG. Once construction is completed, this facility is anticipated to produce approximately 130,000 MMBtu[1] of natural gas annually by recycling the manure from area dairy farms to generate pipeline-quality RNG.

In addition to generating RNG from dairy manure, Peaks has also received a nearly $5 million dollar grant from the U.S. Department of Energy to locate a methanised green hydrogen demonstration project at the Clinton, Maine dairy digester. This demonstration project will use captured carbon from the dairy digester and combine it with green hydrogen to create pipeline-quality methane. Once completed, this project will be the first on-system hydrogen methanization facility of its kind in the country. Peaks is committed to building strong relationships with communities and partners that are motivated by the same energy transition and climate goals. This includes working with farmers, municipalities, policymakers, industry and community leaders, and technology companies developing ideas for thermal energy.

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. However, the fund's net zero commitment is included in the Aviva Investors Real Assets Net Zero Pathway which was set in accordance with the Better Buildings Partnership's Climate Commitment. As part of this commitment, Aviva carry out net zero due diligence audits with their tenants to understand a building's current net zero alignment and make clear costed recommendations to improve asset performance and align with a net zero trajectory. Aviva currently have £30 million of capital expenditure earmarked for investment on existing properties, where they will be repositioning them to a net zero pathway and in return will be restructuring leases to deliver attractive return on this capital employed.

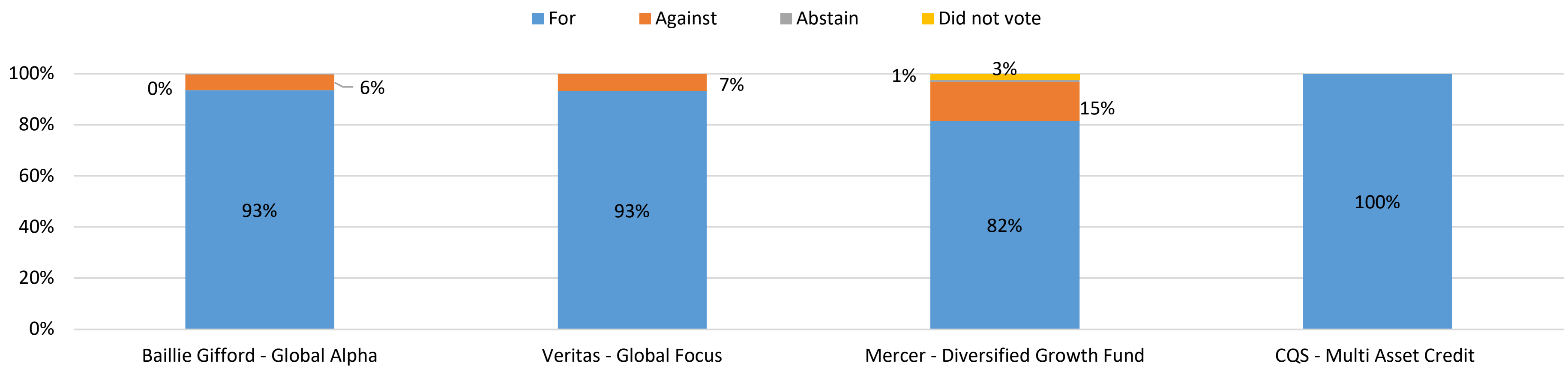
Mercer Private Investment Partners (PIP)

Mercer do not receive reporting on voting and engagement from their underlying holdings. The Mercer PIP private debt sleeves do not invest in any listed companies and as such engagement in the traditional sense does not apply. Mercer remain signatories of the current UK Stewardship Code 2020.

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.



Total Eligible Proposals	1,189	443	94,711	12
% Eligible Proposals Voted	97%	100%	97%	100%

Source: Investment managers. Data to 30 June 2024. 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 at the nearest quarter end to the effective date of this statement (30 June 2024). 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

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	Alphabet Inc./ 7.97%	07/06/24	S - Publish Human Rights Risk Assessment on the AI-Driven Targeted Ad Policies	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	Amazon.com, Inc. / 5.86%	22/05/24	E - Report on Efforts to Reduce Plastic Use	For	Against	Veritas believe shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste.	Fail
Veritas Global Focus	Amazon.com, Inc. / 5.86%	22/05/24	E - Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	For	Against	Veritas believe 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.	Fail
Veritas Global Focus	Microsoft Corporation / 3.15%	07/12/23	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
Baillie Gifford Global Alpha	Amazon.com, Inc. / 3.80%	22/05/24	G - Report on gender/racial pay gaps	For	Against	Baillie Gifford have supported this resolution at Amazon for the last four years. They believe that women and minorities are underrepresented in leadership positions compared with the broader workforce, and reporting the unadjusted median gap would help to assess structural bias regarding job opportunity and pay. Baillie Gifford believe a diverse workforce supports future business growth.	Fail