

Engagement Policy Implementation Statement (“EPIS”)

Durham University Pension Scheme (the “Scheme”) Scheme Year End – 31 March 2024

The purpose of the EPIS is for us, the Trustee of the Durham University Pension Scheme, to explain what we have done during the year ending 31 March 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme’s material investment managers were able to disclose adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

A few managers, as outlined later in the report, did not provide any requested engagement information, or the information provided was limited and often not in line with the best practice Investment Consulting Sustainability Working Group (“ICSWG”) industry standard engagement reporting template.

We acknowledge the limitations on the applicability of stewardship activity for certain asset classes (such as property and illiquid credit) and are reassured that our investment consultant will raise any concerns with the manager data as they arise. In this instance, no significant concerns were raised.

How voting and engagement policies have been followed

The Scheme is invested in mostly pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the policies set out in our SIP. The Scheme is also invested in an open-ended illiquid mandate (M&G - Illiquid Credit) in which the voting rights have been delegated to the investment manager (subject to our stewardship policy as set out in the SIP). We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose adequate evidence of voting and engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly ESG ratings from Aon for the funds the Scheme is invested in where available.

We have received training on ESG and stewardship topics and agreed our responsible investment policy in relation to these.

Each year, we review the voting and engagement policies of the Scheme's investment managers to ensure they align with our own policies for the Scheme and help us to achieve them.

The Scheme's stewardship policy can be found in the SIP:
<https://www.durham.ac.uk/media/durham-university/professional-services/human-resources-and-organisation-development/resources/Durham-University-Pension-Scheme---Statement-of-Investment-Principles.pdf>

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 March 2024.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

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Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Legal & General Investment Management ("LGIM") – All World Equity Index Fund (GBP Currency Hedged)	64,058	99.9%	20.2%	0.5%
LGIM – Developed Factor Index Fund	12,190	99.8%	21.1%	0.2%

Source: Manager. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast, and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's manager uses proxy voting advisers.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Managers	Description of use of proxy voting adviser <i>(in the manager's own words)</i>
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Service (ISS)'s 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Manager

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Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment manager to provide a selection of what it considers to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund/ firm level
	Fund level	Firm level	
Ares Capital – Europe Fund V			<i>Not provided</i>
CVC – European Direct Lending Fund	100% of portfolio companies have been engaged with around ESG issues.	Not Available. Data only provided to Fund LPs**	CVC engage with portfolio companies from a bottom-up perspective, collecting data through provision of questionnaires and looking to use ESG margin ratchets*** as a tool to target specific KPIs for improvement given the individual portfolio companies business focus.
BGO – UK Secured Lending Fund II			<i>Not provided</i>
BGO – UK Secured Lending Fund III	6	<i>Not provided</i>	Environment - Climate Change; Natural Resource Use/Impact; Pollution, Waste Social - Conduct, Culture and Ethics; Human and Labour Rights
LGIM – All World Equity Index Fund (GBP Currency Hedged)	898	2,500	Environment - Climate Impact Pledge; Climate Change; Deforestation Governance - Remuneration Other - Corporate Strategy
LGIM – Developed Factor Index Fund	296	2,500	Environment - Climate Impact Pledge; Climate Change Social - Gender Diversity Governance - Remuneration; Board Composition
LGIM – UK Future World Net Zero Buy & Maintain	120	2,500	Environment - Climate Change; Climate Impact Pledge Governance - Remuneration; Nominations and succession; Board Composition
M&G – Illiquid Credit Opportunities Fund	<i>Not provided</i>	297	Environment* - Climate Change Social* - Human Capital Management Governance* - Remuneration; Brd Eff. - Diversity Other* - Multiple Topics
PIMCO – Diversified Income Fund	204	1,355	Environment - Climate Change Governance - Brd Eff. - Diversity; Brd Eff. - Independence/Oversight; Brd Eff. - Other; Leadership - Chair/CEO

Source: Managers. *Brd eff.* refers to Board effectiveness.
 *M&G did not provide fund level themes; themes provided are at a firm-level.
 ** Limited Partners.

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**** Feature in financing agreements that allows for adjustments in the interest rates or margin based on the company's performance against pre-defined ESG performance targets.*

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Ares Capital mentioned that they are in the process of developing their engagement strategy within private credit, including tracking and prioritization of themes hence they did not provide requested engagement information in this reporting cycle.
- BGO did not provide engagement information for its UK Secured Real Estate Lending Fund II and also did not provide any firm level engagement information.
- CVC did provide some of the engagement information but not in ICSWG industry standard format & also did not provide firm level engagement information.
- M&G did not provide fund level engagement information, the manager confirmed that there were no engagements on the fund level over the reporting period.

This report does not include commentary on certain asset classes such as Liability Driven Investments and cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.