



Responsible Investment Policy – DB Plan

February 2024



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SAUL’s Vision

A sustainable, affordable and well-managed Scheme, which is valued by members and employers alike.

1. About SAUL

1.1 Scheme Information

SAUL Trustee Company (STC) is Trustee and administrator of the Superannuation Arrangements of the University of London (SAUL or the Scheme). The Scheme started in 1976 and was established to provide retirement benefits for non-academic employees of the University, although all staff are eligible to join. It covers c.50 colleges and institutions that have links with higher education, mainly in the south-east of England, including most of the Colleges of the University of London, Imperial College, the Royal College of Art and the Universities of Kent and Essex.

The Defined Benefit (DB) Plan is set up under trust. Changes to the benefit structure were introduced from 1 April 2016 that mean that benefits for all active members are now based on each member's Career Average Revalued Earnings (CARE). Contributions are pooled and invested to provide a fund out of which benefits are paid. The DB Plan had over 81,000 members, and assets of c.£3.1 billion, as at 31 March 2023.

From 1 April 2023, SAUL established a Defined Contribution (DC) Plan called SAUL Start for the first three years of SAUL membership, before members join the Defined Benefit (DB) Plan (unless they elect otherwise).

This Responsible Investment (RI) policy relates solely to the DB Plan.

1.2 Trustee

SAUL Trustee Company (STC) is the Trustee of SAUL, and runs both SAUL Start and the DB Plan. Its Board has 12 Directors made up of:

- five Directors appointed by the Council of the University of London
- four Directors appointed by UNISON and Unite the Union (two from each). These trade unions are recognised by the University of London, and
- three independent Directors, appointed by the Board

The Trustee is responsible for the investment of SAUL's assets, setting the investment and RI objectives for both SAUL Start and the DB Plan. Its investment powers are set out within the Scheme's governing documentation and relevant legislation.

1.3 Committees

The Trustee delegates much of its work to its Audit, Covenant Review, Investment, Human Resource and Remuneration, Nominations and Operations Committees. The work of these Committees is vital to the governance and good running of STC.

1.4 Oversight and Implementation of Responsible Investment Policy

The Board has ultimate responsibility for this Policy (which was agreed at its meeting on 22 February 2024). The Investment Committee (IC) is tasked with implementing the Policy and monitoring progress based on information provided by the Chief Investment Officer (CIO).

2. Responsible investment approach and integration

2.1 Introduction

The Trustee's vision is for SAUL to be a sustainable, affordable and well-managed Scheme, which is valued by members and employers alike, ensuring that the Fund has sufficient assets to meet the cost of the promised benefits. This vision drives the asset allocation policy and other strategic decisions. The Trustee believes that a robust approach to Responsible Investment (RI) will help SAUL to meet these goals.

The purpose of this policy is to set out our approach to Responsible Investment for the DB Plan including our expectations for our investment managers and other key investment service providers to integrate RI considerations into their approach. We also set out how progress is monitored and reported, and how we meet our regulatory obligations.

2.2 Our approach

SAUL believes that the integration of RI is a key risk-management tool and will generate sustainable, long-term returns for our stakeholders. SAUL is a signatory of the UN-backed Principles for Responsible Investment (PRI) and aims to align its RI practices and processes to the six UNPRI principles:

Principle 1	<i>We will incorporate ESG issues into investment analysis and decision-making processes.</i>
Principle 2	<i>We will be active owners and incorporate ESG issues into our ownership policies and practices.</i>
Principle 3	<i>We will seek appropriate disclosure on ESG issues by the entities in which we invest.</i>
Principle 4	<i>We will promote acceptance and implementation of the Principles within the investment industry.</i>
Principle 5	<i>We will work together to enhance our effectiveness in implementing the Principles.</i>
Principle 6	<i>We will each report on our activities and progress towards implementing the Principles.</i>

Source: UN PRI

SAUL periodically reviews its membership of various organisations or industry initiatives to help meet our RI goals, promote best practice and encourage positive change for the benefit of SAUL members. SAUL's current memberships are set out in Appendix 1.

2.3 Policy scope and limitations

The policy covers all asset classes where appropriate mechanisms exist to integrate RI principles into investment decision making. A summary of the main asset classes and the approaches we take to ensure compliance are shown in the table below:

Public equities	<ul style="list-style-type: none">SAUL's publicly listed equity portfolio remains a key component of our growth portfolio and is also the most developed asset class in terms of integrating responsible investment considerations and facilitating engagement for change.
Public fixed income	<ul style="list-style-type: none">SAUL's fixed income investments are predominantly invested in UK government bonds and global corporate bonds. We expect our investment managers to engage, particularly before new investments are issued as this is where the most impact can be made.
Private markets	<ul style="list-style-type: none">SAUL's private market investments cover a range of investment opportunities (for example, private equity, private infrastructure and private credit) and are generally accessed through investment in illiquid fund structures such as Limited Partnerships.Given the nature of these investments, direct engagement with the underlying companies sits with the General Partner of the Limited Partnership. As a large investor, and to ensure that SAUL can influence appropriate consideration and reporting of responsible investment considerations, we request a seat on the Limited Partnership Advisory Committees.

2.4 Appointment of investment managers

SAUL applies this policy when selecting new investment managers through considering managers' relevant policies, examples of how RI considerations have been implemented and copies of example client reporting.

Additionally, the Trustee asks Strategic Investment Consultant to evaluate a prospective investment manager's approach to the integration of RI risks within their investment process and the quality of the manager's ongoing RI reporting.

2.5 Integration of Responsible Investment

SAUL recognises that RI considerations differ across asset classes and we therefore expect our investment managers to be able to articulate and implement appropriate RI considerations in the asset classes in which they invest. We also expect our investment managers to be active members of relevant industry initiatives to help encourage best practice through collaboration and disclosure of activities.

Our main requirements are that our investment managers:

- have clear policies on how they integrate RI throughout the investment lifecycle
- provide us with evidence of how they incorporate RI considerations into investment decision making, how they identify significant RI risks and how they intend to mitigate these, for example through engagement for change
- encourage companies to adhere to best practice and adopt industry codes for sustainability and disclosure
- work with RI data providers to improve data standards
- review and enhance the tools they use to identify RI risks and implement firm-wide training programmes, and
- provide relevant reporting and analytics to SAUL on a regular basis.

SAUL strives to incorporate these requirements into our agreements with the investment managers.

3. Stewardship

3.1 Stewardship at SAUL

The integration of stewardship tools within an RI framework is key to ensuring SAUL’s objectives are met. SAUL supports and applies the UN Principles for Responsible Investment (PRI) definition of stewardship:

“The use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients’ and beneficiaries’ interests depend.”

SAUL’s approach to stewardship can be integrated by using an RI framework for both engagement and voting:

Environmental:	<ul style="list-style-type: none">• SAUL believes that companies should develop policies across their own operations and supply chains to mitigate the risks of a transition to a low-carbon economy.• This should extend to reviewing other aspects of their operations including nature and biodiversity risks, pollution, waste and adoption of recycling practices.• Companies should also disclose climate-related risks in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).
Social:	<ul style="list-style-type: none">• Sustainable and well-functioning workforces are key to the success of businesses. Adequate pay, working conditions and the right to collective bargaining all contribute to sustainable working.• SAUL encourages companies to be more transparent about their workforce practices and is a member of the Workforce Disclosure Initiative - an investor-backed programme to improve the quality of jobs within listed companies’ operations and supply chains.• High levels of executive pay (relative to the average employee) and unverifiable targets used for long-term incentive plans can be a barrier to a well-functioning workforce and we will continue to take this into account and vote against what we consider to be excessive pay levels.

Governance:

- SAUL believes that the composition of the board, its committees and senior leadership teams are key factors in ensuring the long-term success of a company. Good governance also ensures that other sustainability issues (such as workforce issues and environmental considerations) receive the right amount of board meeting time.
- Governance issues range from ensuring that there is not a combined Chair and CEO role, diversity of board members and senior leadership teams, a sufficient number of experienced non-executive directors on the board through to a regular rotation (and tender) of the service auditor.

The Trustee has also agreed an Equity, Diversity, and Inclusion (EDI) policy. As a result, SAUL expects its investment managers and service providers to also consider EDI as part of their own operations, as well as championing the benefits of EDI at engagements with investee companies.

3.2 Company engagement

SAUL invests in multiple companies around the globe through a number of asset classes and recognises that it has a fiduciary duty, through engagement, to ensure that these companies have adequate corporate governance mechanisms for the benefit of SAUL's beneficiaries.

Engagement is also an important relationship building tool and ensures better understanding of the rationale of management regarding business risks, opportunities and strategy. It also provides a forum to tackle RI issues, which contributes to effective risk management, long-term sustainability and value creation.

To ensure that effective company engagement takes place, SAUL delegates most of its engagement activities to its investment managers who are better placed to engage given their knowledge of the companies and their significant levels of aggregate client assets.

3.3 Engagement with policy makers and other bodies

Engagement with policy makers and other industry bodies is important to help shape the direction of future regulation and best practice, but most of all, ensures that any reporting requirements are both proportionate and relevant.

SAUL will actively look to engage with policy makers and industry initiatives and to respond to consultations on a case-by-case basis. We also encourage our investment managers to do the same. A good example of this would be an investment manager joining Climate Action 100+, using that network's combined firepower to engage with companies at risk from, and contributing to, climate change.

3.4 Collaborative engagement

SAUL recognises that, given resource constraints, there are limits to the influence that we can achieve on our own and so we will focus mainly on collaborative engagements with other interested parties through our affiliations to various industry initiatives, and will continue to review the merits of these on a case-by-case basis.

To help SAUL engage collaboratively, we have appointed Pension & Investment Research Consultants (PIRC) to help us engage with companies on issues that are particularly important to SAUL.

3.5 Voting

The Trustee has appointed PIRC to carry out proxy voting in line with the Trustee's Corporate Governance and Shareholder Engagement Policy so that votes on segregated portfolios (those held in the name of the Scheme) are carried out in a consistent manner across all of the shareholdings. For pooled funds, where possible, the Trustee will seek to implement its voting policy using a pass through voting service. Pass through voting enables SAUL, where invested in a pooled fund, to vote on the meetings held by eligible companies within the pooled fund.

PIRC also ensure that SAUL's voting intentions are communicated to each company before each shareholder meeting. Where any investment managers have opposing views, these are discussed with the CIO, following which a decision will be taken as to how SAUL's vote will be cast.

Where SAUL uses pooled funds, and those shareholdings are not being voted using a pass through voting service, the CIO will review the managers' voting policy, noting differences to SAUL's voting policy, and will monitor the managers' implementation of their policy.

3.6 Shareholder resolutions

The filing (or co-filing) of shareholder resolutions is a vital tool in helping to effect change where engagement has failed. SAUL will consider whether or not to participate in the filing of shareholder resolutions on a case-by-case basis. SAUL encourages the investment managers to consider filing these resolutions and to support them where they are in the best interests of shareholders.

3.7 Litigation

To safeguard our assets, the prospect of litigation is an important tool but is viewed as a last resort in most cases. SAUL will consider whether or not to participate in litigation on a case-by-case basis and expect the investment managers to include litigation as part of their stewardship toolkit and to report to us when this has taken place.

3.8 Approach to exclusions

If there are concerns that holding investments in a company or sector would affect the long-term sustainability of the Scheme (and engagement is unlikely to lead to positive change), SAUL may consider excluding certain companies or sectors by undertaking a financial risk assessment and receiving appropriate advice.

The Trustee does not take in to account any non-financial matters (matters relating to the ethical and other views of members, rather than considerations of financial risk and return) in setting the investment strategy.

3.9 Current stewardship priorities

The Trustee reviews its stewardship priorities annually, considering those RI risks that are deemed to have a financial impact. The current priorities are climate change and social risks.

4. Climate change risk management and net zero alignment

4.1 Objectives

Climate change risk could have an impact on the value of the investments and will be assessed by the Trustee over the short, medium and long term. As a result, SAUL has agreed the following objectives with regard to climate change risk management, which also meet the Trustee’s fiduciary responsibilities to act in the best financial interests of members.

Overall Objective:	<ul style="list-style-type: none"> • Target of net zero by 2050 (or sooner).
1. Emissions Reduction Sub-Objective:	<ul style="list-style-type: none"> • Reduce the carbon footprint¹ of the investment portfolio by 50% by 2030 (or sooner).
2. Impact Sub-Objective:	<ul style="list-style-type: none"> • Achieve at least a 15% allocation to investments that have positive climate change attributes as soon as practicable, and by the end of 2025 at the latest.
3. Engagement Framework:	<ul style="list-style-type: none"> • Proactively participate in collaborative engagements with portfolio companies in sectors that are highly exposed to climate change risk. • Monitor the quality of our manager engagement and divest from managers that cannot evidence effective outcomes-focused engagement (subject to cost and fiduciary duty).
4. Set an Exclusion Framework to support the Engagement Framework:	<ul style="list-style-type: none"> • Divest from companies involved in (based on a 5% revenue limit): <ul style="list-style-type: none"> (i) exploration and extraction of oil sands (ii) exploration and extraction of thermal coal, and (iii) generation of electricity using thermal coal.

SAUL will report progress against these on an annual basis (as at 31 March) through our Climate Change Risk Management report prepared in line with Task Force for Climate-Related Financial Disclosures (TCFD). This will be published at the same time as our annual report and accounts.

¹ Scope 1, Scope 2 and Scope 3 emissions.

5. Monitoring

5.1 Investment managers

The CIO produces an RI dashboard, which is used to help monitor the performance of the asset managers against the parameters set out in this policy, the contents of which are discussed with investment managers at formal review meetings. The dashboard is also reviewed by the Investment Committee and the Board on a quarterly basis.

The dashboard summarises the investment managers' RI performance against the following main measures:

- adoption of industry codes and best practice
- comprehensive RI policies and procedures
- robust oversight and accountability for RI integration
- evidence of RI integration (including climate change risk management) throughout the investment process
- stewardship approach
- continuous improvement
- quality and relevance of reporting, and
- training on RI issues.

The CIO assesses each investment manager's approach and discusses any areas for improvement with the manager.

5.2 Voting and engagement

The CIO monitors compliance with SAUL's Corporate Governance and Shareholder Engagement policy and engagement activities through regular reporting and meetings with PIRC. This is reviewed by the Investment Committee on a quarterly basis, and an annual engagement report is received from PIRC.

The engagement activities of SAUL's investment managers are monitored through a bespoke engagement template (which is completed by the managers on a quarterly basis), and through discussion at formal review meetings with the CIO (at least once every 18 months).

5.3 Advisers

SAUL reviews the performance of the Strategic Investment Consultant's RI advice annually.

5.4 Litigation

To help monitor any securities litigation cases involving SAUL's holdings, SAUL has appointed two firms that report to the CIO on a quarterly basis.

6. Escalation and policy non-compliance

SAUL believes in building long-term relationships with our investment managers, and this extends to supporting and challenging them on the adoption and integration of our RI expectations. SAUL is also acutely aware of the fast-changing regulatory environment, various industry codes and reporting practices and, most of all, the challenge of obtaining accurate and up-to-date RI data.

While SAUL will give its managers some time to rectify issues and risks identified over an appropriate timescale, and amend their processes to ensure compliance, the IC will consider any issues identified to determine whether the resultant risk warrants the termination of a manager's mandate.

7. Stock lending

SAUL participates in a stock lending programme run by its Global Custodian for securities held in the name of the Trustee. To exercise our vote at all company meetings, a proportion / minimum number of shares will be excluded from the stock lending programme.

SAUL may, from time to time, recall all of the securities on loan for a company in which it invests should there be a voting issue of particular significance or where SAUL has co-filed a shareholder resolution. These are considered on a case-by-case basis.

For any investments through pooled funds, where investment managers may also lend securities, the Trustee is comfortable with their policies in this regard.

The CIO will monitor the stock lending practices and highlight any areas of concern to the IC.

8. Reporting on SAUL's activities under this policy

8.1 Implementation Statement

The annual statement of compliance with the Statement of Investment Principles (SIP) will be compiled each year using data at the Scheme's year end (31 March) and will be included in SAUL's annual report and accounts, which will be available on SAUL's website.

8.2 Climate Change Risk Management and Net Zero Alignment

SAUL will report on progress as part of our annual Climate Change Risk Management report, at the Scheme's year end. A copy will be available on our website.

8.3 PRI

SAUL will report on its progress on RI integration through the annual PRI reporting cycle, with the reports available on the PRI website.

9. Review of this policy

The Board will review this policy annually.

10. Further information

If you would like more information about SAUL's approach to responsible investment, please write to:

Chief Investment Officer
SAUL Trustee Company
1 King's Arms Yard
London
EC2R 7AF

Telephone: 020 7776 4340

Website: www.saul.org.uk

Appendix 1 - Industry initiatives

SAUL periodically reviews membership of other organisations or industry initiatives to help meet our RI goals, promote best practice and encourage positive change. A list of those organisations/initiatives that SAUL is involved with is shown in the table below:

Initiative (year joined)	Description
Climate Action 100 + (2022)	<ul style="list-style-type: none"> Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
Institutional Investor Group on Climate Change (IIGCC) (2021)	<ul style="list-style-type: none"> The European membership body and forum for collaboration by institutional investors on the investor implications of climate change.
Paris Aligned Investment Initiative (PAII) (2022)	<ul style="list-style-type: none"> A global group of 56 asset owners, with over \$3.3 trillion in assets, who have committed to transitioning their investments to achieve net zero portfolio greenhouse gas emissions by 2050, or sooner, drawing on the Net Zero Investment Framework to deliver these commitments.
(United Nations) Principles of Responsible Investment (PRI) (2013)	<ul style="list-style-type: none"> Launched in 2006, the six Principles are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating RI issues into investment practice.
Workforce Disclosure Initiative (WDI) (2017)	<ul style="list-style-type: none"> Aims to improve corporate transparency and accountability on workforce issues, provide companies and investors with comprehensive and comparable data, and help increase the provision of good jobs worldwide.