

College of Law Pension and Assurance Scheme - Implementation Statement

Statement of Compliance with the College of Law Pension and Assurance Scheme's Stewardship Policy for the year ending 30 June 2021

Introduction

This is the Trustees' implementation statement prepared in relation to the College of Law Pension and Assurance Scheme (the "**Scheme**") in accordance with the requirements of regulations 12(1) and 12(5)(a) of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. This statement:

- sets out how the Trustees have complied with the Scheme's Stewardship Policy;
- explains to what extent the Trustees have complied with that policy, in their opinion; and
- describes any voting behaviour by, or on behalf of, the Trustees,

during the period from 1 July 2020 to 30 June 2021 (the "**2020/21 Scheme Year**").

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out the Trustees' approach to;

- the exercise of any rights attached to Scheme assets (including any voting rights); and
- undertaking engagement activity, including how the Trustees monitor and engage with its investment managers and any other stakeholders.

The Trustees review the Scheme's Stewardship Policy as part of their annual reviews of the Scheme's Statement of Investment Principles (SIP), the last of which was completed on 17 September 2021.

You can review the Scheme's Stewardship Policy, which can be found within the Scheme's Statement of Investment Principles, at <https://www.thelegaleducationfoundation.org/wp-content/uploads/2020/10/Statement-of-Investment-Principles.pdf>

As the Trustees currently invest Scheme assets in pooled funds, the Trustees do not engage directly with debt or equity issuers and are not able to direct how any votes are exercised. In addition, the Trustees have not used any proxy voting services over the 2020/21 Scheme Year. Any voting and engagement activities in respect of the underlying assets of the Scheme's investments are undertaken by the Scheme's investment managers. The Trustees believe it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect the relevant company's financial performance, as appropriate.

The Trustees own engagement activity is focused on their dialogue with their investment managers, which is undertaken in conjunction with their investment advisers. The Trustees meet periodically with their investment managers, who give presentations to the Trustees. This enables the Trustees to further understand and consider managers' exercise of their own stewardship policies. The Trustees also consider manager performance at quarterly trustee meetings, at which they receive an overview report from their investment advisers. The Trustees review those reports, which contain responsible investment ratings and investment strategy ratings by their investment advisers in relation to the Scheme's existing managers and funds. Those manager ratings are based on ongoing market research and reviews by the Trustees' investment advisers. Those reports are also designed to raise any red flags for any managers of concern. The Trustees were satisfied with the results of their investment advisers' reviews during the 2020/21 Scheme Year and noted that no red flags were reported.

The Trustees separately consider any conflicts of interest arising in the management of the Scheme and its investments. The Scheme's investment managers are required to disclose any potential or actual conflict of interest to the Trustees. No such conflicts were reported to the Trustees during the 2020/21 Scheme Year.

Extent of Stewardship Policy compliance

The Trustees monitor their compliance with the Scheme's Stewardship Policy on a periodic basis and are satisfied that they have complied fully with the Scheme's Stewardship Policy during the 2020/21 Scheme Year.

Voting activity

The investment managers may have voting rights in respect of the underlying assets of the pooled funds in which the Trustees have invested, depending on the nature of those underlying assets from time to time. The Trustees expect the Scheme's investment managers to exercise any voting rights attached to individual investments in accordance with their own house policy, with the objective of preserving and enhancing long term value for investors.

Given that the Scheme does not currently invest in any equity holdings, no voting rights are currently exercised by the Trustees or by their investment managers in relation to any equity holdings of the Scheme.

Whilst the Scheme has a small exposure to preferred stock through the investment into private debt facilitated through Partners Group, the preferred stock holds no voting rights and the Trustees have therefore excluded it from their analysis of any voting activity.

No voting rights are attached to any of the Scheme's other underlying assets held on behalf of the Trustees, so there is no voting behaviour or activity by the managers on which to report.

Engagement activity

The Trustees hold meetings with their investment managers on a periodic basis where various stewardship issues are discussed. Over the 12 months to 30 June 2021, the Trustee met with one of their three managers. The Trustee has discussed the following issues over the course of the 12 months to 30 June 2021.

Date	Fund manager	Subject discussed	Outcome
30 September 2020	LGIM	Processes and procedures, fund performance, market updates including discussions on the RPI reform consultation, LDI operational considerations & risk management, security of assets and leadership updates	Additional queries raised with LGIM over quarterly monitoring of hedging ratios which have subsequently been addressed.

Summary of manager engagement activity

The following table summarises the key engagement activities by the Scheme's three investment managers, during the 2020/21 Scheme Year. Each manager has provided selected case studies which are representative of their engagement activity over the year.

Management engagement activity provided by Partners Group and Insight relates specifically to that of the mandates which the Scheme is invested in - Partners Group Private Markets Credit Strategies 2 S.A. - Compartment Multi Asset Credit 2017 (IV) GBP and Insight High Grade ABS fund respectively.

Management engagement activity provided by LGIM, relates to engagement activity on a firmwide level, and examples of how ESG is being considered for funds that have voting rights.

The case studies detailed for LGIM are for general information about the manager only. As outlined in the Scheme's Report and Accounts to 30 June 2021, holdings with LGIM accounted for approximately 81% (excluding Insurance policies) of the Scheme's holdings.

Manager	Number of engagements	Topics engaged on	Case Studies
Partners Group: Private Markets Credit Strategies	10	New management, incremental debt, refinancing, dividend recapitalisation, Exit announcement	Azets <ul style="list-style-type: none"> Engagement topic: Partners Group engaged with the Company following an announcement of a change in the management team. Outcome: New CEO announced, and former CEO was brought in to focus on M&A integration.
			Elysium Healthcare <ul style="list-style-type: none"> Engagement topic: Partners Group had a call with the partners and CFO over incremental loans and the refinancing of a revolving credit facility. Outcome: Elysium were provided with an additional £25m term loan from Partners Group.
			Independent Vetcare <ul style="list-style-type: none"> Engagement topic: Partners Group met with the company to discuss the refinancing of payment-in-kind (PIK) loans. Outcome: Partners Group agreed to an amendment to permit refinancing of the junior PIK tranche.
			Motor Fuel Group <ul style="list-style-type: none"> Engagement topic: Partners Group had multiple discussions with the sponsor in relation to dividend recapitalisation. Outcome: Partners Group agreed to a waiver to allow dividend recapitalisation in exchange for bringing overall platform exposure down, a waiver fee and a margin increase.
			JLA <ul style="list-style-type: none"> Engagement topic: Partners Group had an in-person meeting with the CEO to introduce the new CFO Outcome: As part of the meeting the company also provided a run-through of the year-to-date results and a full year outlook.
LGIM	1,050 firmwide	Climate change, Remuneration, Diversity,	Rio Tinto <ul style="list-style-type: none"> Engagement topic: Accountability for the destruction of a 46,000-year-old heritage site in Western Australia.

		Covid-19, Strategy, ESG disclosures	<ul style="list-style-type: none"> • Outcome: LGIM continued to challenge Rio Tinto on their response and board oversight, which they felt was inadequate following the scandal. Although three directors had departed already, the chairman declared he would also step down.
			<p>Korea Electric Power Company (KEPCO)</p> <ul style="list-style-type: none"> • Engagement topic: Investor concerns over KEPCO's continued plans to expand thermal coal power generation and poor climate risk disclosure • Outcome: LGIM originally imposed voting sanctions and divested from the company in one of their equity funds. In 2020 they outlined concerns in an interview with a leading Korean daily newspaper. In October 2020 KEPCO publicly pledged it would make no further investments in overseas coal projects.
Insight High Grade ABS Fund	178	ESG disclosure, Remuneration policies, ESG risks	<p>Together Financial Services</p> <ul style="list-style-type: none"> • Engagement topic: Discussion around ESG template • Outcome: Insight highlighted the two areas of weakness which were environmental risk consideration and social impact
			<p>Think Tank</p> <ul style="list-style-type: none"> • Engagement topic: To understand the governance and social risks involved in the company's origination and servicing business • Outcome: It was highlighted that the areas that could be strengthened were number of board members and some aspect of the remuneration policy. Insight also recommended the company implement an environmental assessment for all new loans.
			<p>Atlas</p> <ul style="list-style-type: none"> • Engagement topic: ESG risks of the originator and servicing • Outcome: Insight noted that the company did not have an independent risk committee and no remuneration clawback policy. Insight will be having a follow up call to discuss the areas where they would like further clarification on processes and policies.

¹Total number of manager engagements for Partners Group relates specifically to that of the MAC IV fund which the Scheme is invested in.

Review of policies

The Trustees and their investment advisers remain satisfied that the responsible investment policies of the Scheme's investment managers and, where appropriate, those investment managers' voting policies remain suitable for the Scheme and are consistent with the Scheme's Statement of Investment Principles.