

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 2022

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 2021 to 30 June 2022 (the "**2021/22 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 20 September 2022.

You can review the Scheme's Stewardship Policy, which can be found within the Scheme's Statement of Investment Principles, at <https://thelegaleducationfoundation.org/pension-scheme/statement-of-investment-principles>.

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 2021/22 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 2021/22 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 2021/22 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 2021/22 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 in detail. Over the last 12 months, the Trustees has met with one of their three managers. The Trustee has discussed the following issues over the course of the current calendar year.

Date	Fund manager	Subject discussed	Outcome
17 September 2021	LGIM	Scheme holdings and collateral positions, fund performance, market updates, ESG processes and the introduction of green bonds. Risk management procedures including diversification, due diligence, daily collateralisation and central clearing.	The Trustees discussed likely terms of UK Government green bonds and how these would be managed. The Trustees were satisfied with LGIM's presentation.

Summary of manager engagement activity

The following table summarises the key engagement activities by the Scheme's three investment managers, during the 2021/22 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 2022, holdings with LGIM accounted for approximately 87% (excluding Insurance policies).

Manager	Number of engagements	Topics engaged on	Case Studies
Partners Group: Private Markets Credit Strategies	10	Debt restructuring Refinancing, Exit announcement	Envision Healthcare Holdings, Inc <ul style="list-style-type: none"> Engagement topic: Partners Group engaged with the equity sponsor and the Company management on negotiations around the restructuring of the business. Outcome: Partners Group negotiated an exchange of its junior debt for a senior secured term loan.
			Elysium Healthcare <ul style="list-style-type: none"> Engagement topic: Refinancing and capital structure of the company. Outcome: The original debt exposure was fully repaid, and Partners Group participated in the new credit facility.
			Community Brands <ul style="list-style-type: none"> Engagement topic: Partners Group engaged with the equity sponsor following the announcement that the existing sponsor Insight Venture Partners had agreed to sell the business to a new private equity owner, Reverence Capital Partners. Outcome: The first lien of debt provided to Community Brands was fully realised, following the change in ownership of the company
LGIM	706 firmwide	Climate change, Remuneration, Public health, Water, Board composition, Climate Impact pledge, Ethnic diversity, Energy and Gender diversity.	Apple Inc <ul style="list-style-type: none"> Engagement topic: Proposals related to diversity and inclusion policies. LGIM considers these issues to be a material risk to companies. Outcome: The resolution passed showing a reversal in the trend of shareholders siding with management.
			BP Plc <ul style="list-style-type: none"> Engagement topic: Management proposal to approve “Net Zero – from ambition to action” report. Outcome: BP has made substantial changes to its strategy and approach. This is evident in its most recent strategic update where key

			<p>outstanding elements were strengthened, including raising its ambition for net zero emissions by 2050 and halving operational emissions by 2030.</p>
			<p>Volkswagen AG</p> <ul style="list-style-type: none"> Engagement topic: Continued engagement regarding the diesel emissions scandal and approval of management and supervisory board members. Outcome: LGIM voted against approval however shareholders supported the resolution. They remain concerned about the company's lack of transparency regarding the handling of the crisis, including any lessons learnt by the boards, how sufficient internal control mechanisms have been put in place, and any progress made around improvement of corporate culture.
Insight High Grade ABS Fund	50	ESG disclosure, Remuneration policies, ESG risks	<p>CVC Cordatus</p> <ul style="list-style-type: none"> Engagement topic: Concerns were identified in the credit research process including lack of governance and permitted investment activity in addition to weak ESG restrictions. Outcome: Investment restrictions were tightened leading to stronger governance control. ESG restrictions were also tightened reducing permitted revenue from problematic sectors from 50% to 5%. <p>Kensington</p> <ul style="list-style-type: none"> Engagement topic: ESG related initiatives including energy efficiency, responsible investment, and business ethics. Discussion included the issuance of AAA green ABS bond used to finance A/B rated Energy Performance Certificate (EPC) properties. Outcome: Concerns were discussed about availability of EPC data and how structures in the RMBS market could be improved to address ESG obligations. <p>Pepper</p> <ul style="list-style-type: none"> Engagement topic: Pepper's environmental risks management which was identified as a weakness in the overall ESG assessment. Insight noted Pepper does not monitor its carbon impact of their mandate and their data disclosures are poor. Outcome: Engagement was positive, with Pepper confirming that they are in the process of improving how they gather and track

			environmental metrics for use in future disclosures.
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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.