UK Stewardship Code Submission (DB Section)

Year ending 31 March 2022

Superannuation Arrangements of the University of London

Pension Scheme Registry (PSR) number: 10125215

Contents

Introduction

As a pension scheme with long-term liabilities, it is in the Superannuation Arrangements of the University of London ("SAUL's") interests to encourage the companies in which we invest to identify, manage and report on ESG risks.

Our approach to stewardship can be summarised as to responsibly allocate, manage and carry out oversight of the capital which we invest in order to create long-term value for the Scheme's beneficiaries. We expect this will also lead to sustainable benefits for the economy, the environment and society.

This report sets out SAUL's submission for the year to 31 March 2022 to the FRC against the 2020 UK Stewardship Code's 12 Principles, which are grouped under four main categories:

1. **Purpose and Governance**
   Principle 1: Purpose, strategy and culture
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This report has been produced by the STC Investment Team and reviewed by the Investment Committee ("IC") on behalf of the Trustee Board.

Kevin Wade, FIA
Chief Investment Officer
May 2023

Progress Report

In our 2021 UK Stewardship Code Compliance Report we set out the following actions that we planned to take in future years to improve. The table below provides an update on these actions.

Actions	Status	Comments
Setting and implementing our climate change risk management objectives and ensuring that our bespoke voting policy aligns with these objectives.	✓	-
Joining Climate Action 100+ and the Paris Aligned Investment Initiative.	✓	• SAUL became a supporter of Climate Action 100+ and committed to the ten principles of the Paris Aligned Investment Initiative in May 2022.
Communicating our climate change commitments with all stakeholders.	✓	• SAUL's Employers and Unions were consulted on our climate change risk management commitments via a change to the SIP and a news article was published on our website in June 2022.
Integrate our ESG requirements into agreements with external investment managers.	✓	-
Publish SAUL's first climate change risk management report for the year ended 31 March 2022.	-	• The first report will be based on the year to 31 March 2023 and published in October 2023 (in-line with the statutory deadline).
Review our approach to rating the ESG integration of our investment managers.	✓	-

1. Purpose and Governance

Principle 1 - Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Background

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. At 31 March 2022 it covered 49 colleges and institutions that have links with higher education 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.

SAUL is a multi-employer defined benefit ("DB") pension scheme set up under trust.

As an outcome of the 2020 Actuarial Valuation of the Scheme, a new Defined Contribution Section (named "SAUL Start") was introduced from 1 April 2023. Members join SAUL Start for their first three years of membership before transferring to the current DB Section.

Contributions into the DB Section are pooled and invested to provide a fund out of which benefits are paid. SAUL had over 74,000 members as at 31 March 2022 with assets of £4.56 billion.

Purpose

SAUL's purpose is to ensure that sufficient funds are available to pay all members' benefits now and in the future. This purpose is supported by the investment strategy, which aims to achieve an appropriate balance between return and risk over the long-term.

Management of Environmental, Social and Governance ("ESG") risks are also an important consideration as they can be financially material. As a result, they form part of the assessment and monitoring of investments across all asset classes helping to achieve sustainable, long-term financial returns to pay the promised benefits.

Investment Beliefs

In order to achieve the objectives, SAUL holds investment beliefs that influence its thinking on investment and stewardship matters. These beliefs are reviewed annually to ensure that they remain relevant by considering changing market dynamics and trends, with an annual review taking place in October 2021.

Case Study 1 – Review of Investment Beliefs
SAUL has held an investment belief covering ESG matters for several years. The belief states that: • *"a lack of consideration of ESG factors can increase risks and negatively impact the value of SAUL's investments. SAUL views climate change as the most significant risk over the long-term and the portfolio should be positioned in such a way as to be climate change resilient. It is also an area of opportunity."* As part of the annual review the IC indicated that SAUL should strive to hold physical equities, rather than synthetic exposure, to permit engagement and voting. This was agreed by the Trustee Board in November 2021.

Strategy

The Trustee Board delegates the meeting of the investment objectives to its IC. The day-to-day management of the Scheme's assets is delegated to external investment managers, with their activities overseen by SAUL's Chief Investment Officer ("CIO").

In order to meet the investment objectives, SAUL holds a diversified mix of investments across different asset classes, as can be seen in the table below (as at 31 March 2022).

Asset Class[1]	Comments	£m	%
Equity		**£1,226m**	**27%**
Public Equity	Global	£929m	20%
Private Equity	Global	£297m	7%
Real Assets		**£536m**	**12%**
Private Infrastructure	UK and Europe	£390m	9%
Property	UK	£146m	3%
Credit		**£1,702m**	**37%**
Public Credit	Global	£609m	13%
Multi-Class Credit	Mainly US and Europe	£460m	10%
Private Direct Lending	Mainly US	£102m	2%
Private Distressed Debt	Mainly US and Europe	£103m	2%
Private Credit	Mainly US and Europe (inc UK)	£428m	9%
Government Bonds		**£1,040m**	**23%**

[1] Source: Northern Trust and investment managers. Totals and sub totals may not sum due to rounding. Excludes Net Current Assets.

Asset Class[1]	Comments	£m	%
UK		£1,040m	23%
Global Cash and Other[2]		**£55m**	**1%**
Total	**-**	**£4,558m**	**100%**

Culture

Our vision, goals and behaviours are set out below:

Culture is important to SAUL. This has been particularly at the forefront given the constructive and open discussions, which always kept members' interests at the heart of the decision making, when making changes following the 2020 actuarial valuation.

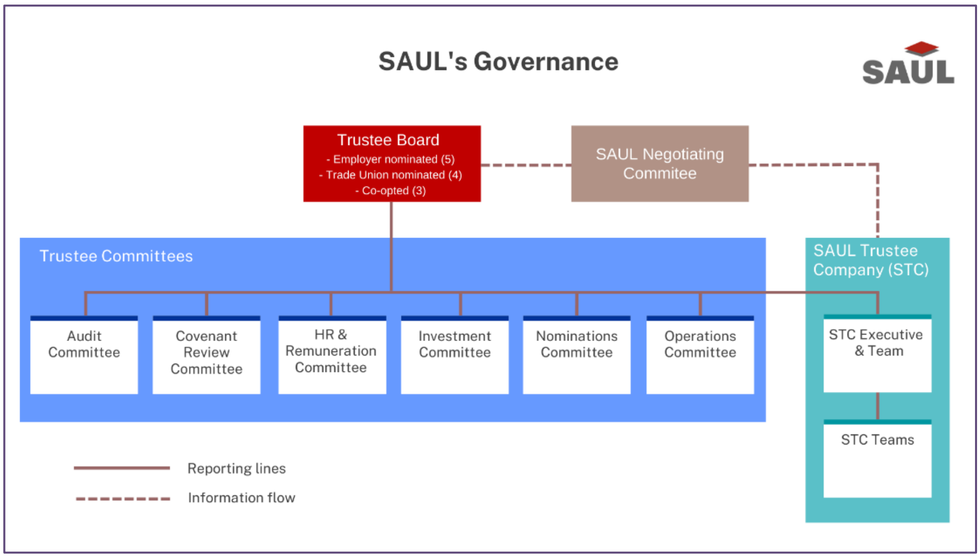
Review of Principle 1
Addressing climate-change risk within the Scheme is a key part of ensuring SAUL remains sustainable. During the year, the Trustee agreed to target a net-zero investment portfolio by 2050, or sooner if we can. This overall goal considers both the impact of climate-change risk on our investments and the impact of our investments on the planet. Further details on the work done on climate change risk management can be found under Principle 4 on page 18 of this report.

[2] Cash held outside of any mandates and includes annuities.

Principle 2 - Signatories' governance, resources and incentives support stewardship.

Governance

SAUL's governance structure aims to help ensure that it meets its long-term objectives of paying the promised benefits to its members. The chart below shows the governance structure that was in place at 31 March 2022:



The Trustee Board is made up of twelve Directors from across SAUL's Employers, Unions and independent representatives (five members are appointed by the Council of the University of London, four members appointed by UNISON and Unite and three independent members appointed by the Trustee Board).

The Trustee Board sets the strategic funding and investment objectives for the Scheme and has oversight of SAUL's stewardship, including ESG matters. It is also responsible for ensuring that its Sub-Committees, STC and external advisers carry out their duties.

With many of our sponsoring employers leaders in their field with regards to research on environmental aspects, the employer appointed directors provide valuable perspectives regarding how SAUL should be considering climate change matters. In addition, many of the university endowment portfolios take a leading approach to integration of stewardship, including ESG matters. The Union appointed directors also provide valuable member perspectives.

To ensure effective governance, the Trustee Board has established several Sub-Committees with independent specialists appointed where deemed appropriate.

For example, the Investment Committee ("IC") is made up of both Directors of the Trustee Board and independent (or Co-opted) members. The IC has delegated authority from the Trustee Board to implement an investment strategy to meet the Trustee Board's investment objective, within agreed risk constraints. It is also responsible for implementation and monitoring of SAUL's approach to stewardship, including ESG matters.

The Trustee Board and its Sub-Committees are supported and advised by an Executive Management Team ("EMT") of 5 within STC:

- Chief Executive Officer;
- Chief Investment Officer ("CIO");
- Chief Operating Officer;
- Head of Benefits; and
- Head of Technical and Communications.

There were 53 employees within STC at 31 March 2022 who help to provide a range of services to members (as well as supporting the EMT, Board and its Sub-Committees). The teams are Administration, Business Development, Communications, Data Services, Executive Support, Finance, Human Resources, Information Technology, Investment and Technical.

Resources - Internal

The IC is tasked with ensuring the Scheme's investment strategy meets the strategic objectives set by the Board and is responsible for the appointment and oversight of the external investment managers. It also ensures that the Scheme's stewardship activities are being discharged in accordance with SAUL's RI policy. As well as providing insight on investment matters, the composition of the IC is such that it benefits from a range of perspectives from industry professionals together with Employer and Union Directors.

The in house investment team ("STC Investment Team") is comprised a CIO and two investment analysts at 31 March 2022. As well as supporting the IC on all investment matters, the STC Investment Team also monitors of the external providers in terms of stewardship, including ESG matters.

Resources - External

SAUL has appointed the following external service providers at 31 March 2022:

External Service Provider	Description
Scheme Actuary:	• Mercer is the Scheme Actuary. • The Scheme Actuary provides actuarial advice to the Trustee Board and is responsible for producing SAUL's triennial Actuarial Valuation and Annual funding updates.

External Service Provider	Description
	• For example, they include consideration of how adverse climate change events could impact SAUL's funding objectives within their reporting.
Covenant Adviser:	• Aon is the Covenant Adviser. • The Covenant Adviser provides an assessment of the ability of SAUL's employers ability to financially support the Scheme over the medium-term. • For example, Aon provides a view on the effects of climate change on SAUL's employers in terms of opportunities (e.g. increased research funding and sustainability course) and risks (e.g. costs of retrofitting buildings etc.)
Strategic Investment Consultant:	• Redington is the Strategic Investment Consultant. • They advise both the Trustee Board and Investment Committee on investment strategy and monitoring, manager selection as well as providing advice regarding stewardship, including ESG matters. • Redington is also a signatory to the UK Stewardship Code.
Corporate Governance Adviser:	• Pension and Investment Research Consultants ("PIRC") is the Corporate Governance adviser. • PIRC works with SAUL to help set and implement our own Corporate Governance and Shareholder Voting Policy, providing voting recommendations and arranges for all shareholdings to be voted in line with the policy on a consistent basis. • In February 2021, PIRC's appointment was extended to include helping SAUL engage with companies through their VOICE engagement service. • PIRC is also a signatory to the UK Stewardship Code.

External Service Provider	Description
Investment Managers:	• As well as meeting their long-term performance objectives, the investment managers are also encouraged to incorporate ESG considerations into their investment analysis when choosing which companies to hold. • They are expected to engage with companies and policy makers and provide reporting on progress to SAUL. • A list of the investment managers can be found in our Annual Report and Account here [LINK], some of which are also signatories to the UK Stewardship Code.
External Auditor:	• PwC is the External Auditor. • PwC review risk controls and the financial statements, along with any disclosers made on ESG and stewardship matters (e.g. the Implementation Statement which is contained within the Annual Report and Accounts).
Legal Adviser:	• Sacker and Partners LLP is the Legal Adviser. • As well as helping SAUL meet its legislative obligations, they have provided training on new requirements regarding climate change risk management.

The performance of the external service providers is reviewed at least every 3 years, with performance of the Strategic Investment Consultant reviewed annually and the investment managers appointments reviewed at least every 18 months.

SAUL periodically reviews membership of certain organisations or industry initiatives to help us improve our stewardship approach, promote best practice and encourage positive change. These also help us to keep up-to-date with relevant news flow and collaborative engagement opportunities. A list of those organisations / initiatives that SAUL is involved with (at 31 March 2022) is shown in the table below:

Initiative (year joined)	Description
Climate Action 100 + **(2022)**	**Background:** • Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. • The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition. **Why did SAUL join?** • To reinforce our commitment to net zero and to help us monitor progress of those companies deemed to be most at risk from aligning to net-zero.
Institutional Investor Group on Climate Change (IIGCC) **(2021)**	**Background:** • The IIGCC is the European membership body and forum for collaboration by institutional investors on the investor implications of climate change. **Why did SAUL join?** • To reinforce our commitment and to help us set our climate change risk management objectives by utilising the net-zero investment framework.
(United Nations) Principles of Responsible Investment (PRI) **(2013)**	**Background:** • In early 2005, the then United Nations Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment. • The six Principles for Responsible Investment were launched in 2006 and are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

Initiative (year joined)	Description
	Why did SAUL join? • As well as providing SAUL with a platform to disclose our approach to stewardship, where this is scored in relation to our peers, the PRI also provides us with the opportunity to participate in collaborative engagements and provide input to its consultations.
Workforce Disclosure Initiative ("WDI") **(2017)**	**Background:** • An investor-backed programme (run by ShareAction) to improve the quality of jobs within listed companies' operations and supply chains. **Why did SAUL join?** • We believe it is important to advocate for standard disclosure of workforce risks in order that these can be managed.

Resources - Business Planning

The Trustee Board agrees an annual business plan for SAUL. In developing this plan, the EMT and other members of STC undertake "horizon scanning" to ensure that legislative changes are adequately assessed and planned for.

Business related projects and priorities are considered, with climate change risk management having been a significant area of focus over the last few years. Targets have been set out to 2029 and included setting climate change risk management objectives during 2021 / 2022, implementing them as well as disclosing our progress against these objectives annually, beginning with the year to 31 March 2023.

Resources - Risk Management

Given continuing focus on ESG matters from our stakeholders and regulators, to not take ESG matters into account would be at odds with our long-term investment horizon. It could also lead to reputational risks and impact on the sustainability of SAUL.

In order to ensure that the risks posed by climate change and broader ESG considerations are adequately monitored and assessed, SAUL operates various risk logs and dashboards across the business, with ultimate oversight provided by the Trustee Board.

The IC owns the investment risk register which includes assessments of the risk that ESG and climate risk factors are not being appropriately considered by the investment managers. The outputs from the IC's investment risk register feed into a Strategic Risk Dashboard which is reviewed by the AC and the Trustee Board on a quarterly basis.

Climate change, and the failure to take adequate steps to mitigate the risks posed by it, is included on the Strategic Risk Dashboard. Management of this risk is reviewed quarterly by the AC, IC and the Trustee Board with the actions put in place to mitigate or ameliorate the impact of this risk being implemented by the EMT and the CIO.

Incentives

SAUL believes that investment managers should integrate stewardship, including ESG matters into each investment processes as standard.

SAUL reviews an investment manager's approach to stewardship as part of the appointment process - through consideration of relevant policies, examples of how stewardship considerations have been integrated within the investment process and reviewing copies of example client reporting.

The Strategic Investment Consultant is also asked to evaluate a prospective investment manager's approach to stewardship, including ESG matters within their investment process, their resources and the quality of the manager's ongoing reporting. These findings are presented to the CIO and the IC. Investment managers not meeting SAUL's requirements would not be considered for selection.

Investment managers are encouraged to continually review and improve their stewardship practices as well as providing comprehensive reporting to aid monitoring. Where possible, SAUL sets out our requirements within investment management agreements.

Case Study 2 – Incorporating SAUL's Stewardship Requirements

SAUL hired a new investment manager for a UK long-dated public credit mandate over the period.

As part of our negotiations on the investment management agreement, and to formalise our requirements on stewardship and ESG matters, we included:

- SAUL's exclusions, along with a requirement for the manager to attest quarterly that they have abided by them.
- Quarterly reporting - details of engagements undertaken, ESG scores, carbon emissions and carbon intensity.

Where investment managers do not show appropriate improvement or if performance on stewardship, including ESG matters deteriorates, this would tigger a review of the mandate.

Members of the STC Investment Team have specific objectives linked to monitoring the investment managers approaches and keeping up to date with ESG matters, with performance against these considered annually.

Training

Given changing regulatory requirements and the need to ensure SAUL's long-term sustainability, training on stewardship, including ESG matters remains an important consideration. Training is provided to the Trustee Board (and other Committees as deemed appropriate) in the following ways:

Training Type	Comments
Adviser Publications:	• The external advisers provide regular (usually quarterly) publications highlighting important changes to legislation and actions that Trustees may need to take. • These are considered by SAUL's Trustee Board and relevant Sub-Committees. • Examples of publications from SAUL's legal adviser can be found here [LINK].
Other Training:	• The EMT organises training sessions for the Trustee Board relevant Sub-Committees (and itself) at least annually. • Over the year, the Trustee Board received training on the SAUL's new climate change risk management objectives before they were agreed.

Review of Principle 2

The Trustee believes that the governance structure in place to support stewardship remains appropriate. SAUL has also demonstrated that, through the creation of the Climate Change Working Group, short-term changes to the governance structure can be made to consider important topics which, without adequate resources, could affect paying members pensions over the long-term.

Principle 3 - Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Background

SAUL has a conflicts of interest policy that covers the Trustee Directors, independent members appointed to the Investment Committee, the SAUL Negotiating Committee and STC employees.

Trustee Directors (and Sub-Committee members) undergo induction training sessions at the start of their appointment to ensure that they are aware of their fiduciary and other obligations to the beneficiaries. This includes the operation and use of the conflicts of interest policy.

We also expect our external advisers and investment managers to manage conflicts of interest and report any issues to SAUL.

Below we set out our approach to managing conflicts of interest.

Conflicts of Interest – Trustee Directors

The STC Company Secretary maintains a comprehensive register of declared interests and conflicts which is updated on an annual basis and reviewed by both the Audit Committee and the Trustee Board. Regular training sessions are arranged with the Trustee Directors to specifically consider conflicts of interest and how these can arise.

A Hospitality and Gifts policy operates across all Trustee Directors, independent members appointed to the Investment and Committee, and key members of STC staff. A Hospitality and Gift Register is maintained centrally by the Company Secretary and considered by the Audit Committee on a quarterly basis.

From time to time SAUL appoints new investment managers or other external service providers. Conflicts of interest, or the appearance of a conflict of interest, may arise if a Trustee Director is involved with an organisation through a different role that is under consideration for appointment. To cover this aspect, all of SAUL's Board and Committee meetings have a standing agenda item - at the beginning of each meeting - whereby each member is asked if there are any conflicts arising from the agenda items being covered.

Conflicts of Interest – PIRC

The Trustee manages any conflicts of interest in relation to PIRC's stewardship work. If a perceived conflict of interest occurs between PIRC and a particular company (for example, if PIRC has advised the proponents of a shareholder resolution with respect to that company), PIRC declares this in its reports to SAUL. To further minimise the possibility of it ever being put in a position in which PIRC is compromised, PIRC only works for institutional investors so has no commercial relationship with the companies on which it reports.

If PIRC is engaging with a company on SAUL's behalf, it will state any potential conflict at the outset of the meeting and decide with the company whether engagement can proceed. It is always clarified that PIRC is only attending to represent its client's views, and not those of PIRC. PIRC is regulated by the Financial Conduct Authority ("FCA") and requires all of its employees to complete a declaration of interests form.

Conflicts of Interest – Other External Service Providers

SAUL expects its investment managers and any other applicable service providers to ensure that they have effective policies in place to manage conflicts of interest. These statements on conflicts of interest (and any conflicts declared) are reviewed periodically by the STC Investment Team, with any issues escalated to the IC for review.

Review of Principle 3
Of the conflicts of interest declared over the year to 31 March 2022 these were appropriately managed. For example, Employer Directors excusing themselves from agenda items relating to their own institutions. No conflicts were declared in relation to SAUL's stewardship activities over the period.

Principle 4 - Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Background

With SAUL being an open DB scheme and therefore having a long-term investment horizon, market-wide risks are managed through the investment strategy. This includes diversification by company, sector, geography and asset class as well as maintaining high levels of interest rate and inflation protection to manage marked-to-market risks associated with the valuation of the liabilities.

ESG risks, and the management of them, have always been important to SAUL. That said, a lot of the focus more recently has been on climate change and how SAUL can manage this risk, and engage with companies to acknowledge it as a risk and implement strategies to manage it.

Identification of Risks

In order to ensure that risks are adequately identified and managed, SAUL operates an integrated risk management approach across all business areas. This is set out in more detail under Principle 2 on page 13 of this report.

With regards to investment matters, investment risk is monitored and managed by the Investment Committee on a quarterly basis, with input from the STC Investment Team and Strategic Investment Consultant. This includes an overview and outlook of global investment markets and whether any action should be taken outside of regular rebalancing.

Identification and management of ESG risks is the responsibility of the STC Investment Team, where the main focus is on ensuring that the external investment managers are integrating ESG risks into their investment decision making. The team also ensures that SAUL complies with the legislative disclosure requirements, and monitors new tools and consultations through its affiliations with those organisations set out under Principle 2 on page 12 of this report.

Responding to Risks

Given the risks posed by climate change, and the requirements for pension funds to report on the management of them using the principles of the Task Force on Climate-related Financial Disclosures[3] ("TCFD") framework, the Trustee took the following actions over the year to 31 March 2022:

Case Study 3 – Climate Change Risk Management Group

What did SAUL consider?

The Trustee Board established a Climate Change Working Group ("CCWG") which included representatives from each of SAUL's main stakeholders - Trustees, Employers and Unions - to discuss and propose the actions which SAUL should take to continue to pay Members' pensions far into the future. Over the period January 2021 to October 2021, the CCWG held 8 meetings covering a wide range of topics:

- A clear set of objectives for the Group, established by a Terms of Reference which was agreed by the Trustee Board.
- Presentations from SAUL's employers on how they consider climate change risk both in terms of their business models and within their endowment portfolios.
- Presentations from the covenant adviser and Scheme Actuary on how they will incorporate climate change risk into their assessments.
- The views of UNISON and UNITE - how their members viewed climate change risk and what they expected from their pension fund.
- What is Net Zero alignment and how could it be incorporated into an open DB pension scheme portfolio.
- Consideration of what targets other pension schemes had set, compared to their long-term funding objectives.
- Scenario analysis, measuring and monitoring climate risk and an overview of the data providers.
- Engagement with portfolio companies versus divestment.
- An overview of the legislative requirements, and how SAUL could meet these.
- The tools and industry initiatives available to pension funds (Climate Action 100+ etc.)
- The legal framework for adopting climate change risk management objectives.

What was the outcome?

Following the discussions, the CCWG presented its recommendations which were considered and approved by the Trustee Board in November 2021.

The main objective is for SAUL to be Net Zero by 2050 (or sooner). In addition to this main objective, four sub-objectives (emissions reduction by 2030, impact, divestment and engagement) have also been adopted.

The CCWG may reconvene in the future to consider whether the climate change risk management objectives remain on track and that the metrics and targets adopted by the Board remain suitable.

[3] https://www.fsb-tcfd.org/

Case Study 4 – 2021 Global Investor Statement to Governments on the Climate Crisis

To further embed our commitment to managing the risks posed by climate change SAUL, along with over 700 other investors with over US$52 trillion in assets under management, signed the 2021 Global Investor Statement to Governments on the Climate Crisis – a copy of the statement can be found here [LINK].

The statement asked governments to raise their climate ambitions and implement robust polices by the 2021 United Nations Climate Change Conference ("COP26") which was held in November 2021.

The five main parts of the statement were as follows:

- Strengthen Nationally Determined Contributions for 2030 in line with limiting warming to 1.5°C.
- Commit to a mid-century net zero emissions target with clear decarbonisation roadmaps for each sector.
- Ensure ambitious pre-2030 policy action including strengthened carbon pricing, phasing out fossil fuel subsidies and thermal coal-based power, avoiding new carbon-intensive infrastructure (no new coal power plants) and developing just transition plans.
- Ensure COVID-19 economic recovery plans support the transition to net zero emissions.
- Commit to implementing mandatory climate risk disclosure requirements.

Review of Principle 4

The agreement of SAUL's climate change risk management objectives were a key achievement over the year. Over the coming years we will seek to implement the sub-objectives and review progress annually to ensure that they remain appropriate.

Principle 5 - Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Background

SAUL has policies in place where required under regulations (e.g. SIP) and as part of best practice to meet the changing landscape (e.g. Responsible Investment Policy). Regular reviews of these policies (and consideration of additional ones) provides comfort to members that the Trustee Board looks to continuously improve.

Review of Policies

SAUL has a formal review process for all of its main polices. Those that cover ESG and Stewardship matters are set out below.

Policy	Comments
Statement of Investment Principles:	• SAUL's SIP is reviewed at least every 3 years, or sooner should there be a material change to the investment strategy or approach to ESG and stewardship matters. • A copy of the SIP can be found here [LINK].
Investment Beliefs:	• To achieve the objective of paying members pensions, SAUL holds investment beliefs that influence its thinking on investment and ESG and stewardship matters. • A copy of the Investment Beliefs can be found here [LINK].
Responsible Investment Policy:	• The policy is reviewed at least every 3 years, or sooner should there be a material change to SAUL's approach. • A copy of the policy can be found here [LINK].
Corporate Governance and Shareholder Voting Policy:	• This policy is reviewed at least every 3 years, or sooner should there be a material change to SAUL's approach. This also includes having regard to changes that PIRC may make to its voting policy. • A copy of the policy can be found here [LINK].

Assurance of Processes

The main policies set out above are reviewed by the Trustee Board and respective Sub-Committees, with evidence captured in meeting minutes.

In addition, PwC carries out the annual audit of SAUL's annual report and accounts. The review considers the fairness of the financial statements, with PwC focussing the majority of their time on matters considered "higher-risk" under its own assessment framework.

The PwC review of the 31 March 2022 annual report and accounts also included a review of the Implementation Statement that was required to be published under the updated Occupational Pension Schemes (Investment) Regulations 2005.

Assessment and Effectiveness

An assessment of SAUL's integration of ESG considerations is undertaken by the PRI on an annual basis, through SAUL's response to its framework. A copy of SAUL's latest PRI Report can be found here [**LINK**].

Review of Principle 5
Following the of SAUL's climate change risk management objectives, we will consider whether any additional polices (either internal or external) are required to ensure we continue to comply with best practice.

2. Investment Approach

Principle 6 - Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Scheme Structure

SAUL is an open multi-employer defined benefit pension Scheme set up under trust. Contributions from employers and members are pooled and invested to provide a fund out of which benefits are paid.

Membership

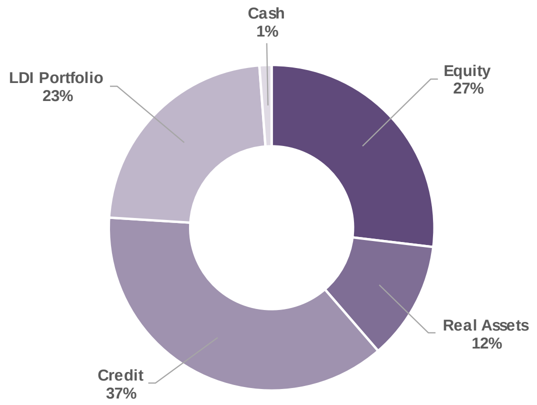
The membership breakdown at 31 March 2022 is shown in the table below:

Member Type	31 March 2022	Average Age[4]
Active	25,270	38
Deferred	38,250	41
Pensioners (including dependents/beneficiaries)	10,906	72
Total	**74,426**	**-**

A further breakdown of SAUL's membership across our sponsoring employers can be found in the annual report and accounts.

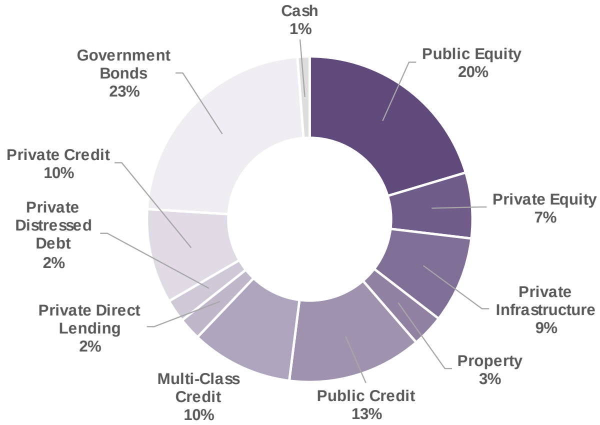
Assets Under Management

The chart below shows the high-level breakdown of the total scheme assets at 31 March 2022:



[4] Source: Mercer (unweighted)

The chart below shows a more detailed breakdown of the total scheme assets at 31 March 2022:



Time Horizon

Given that SAUL remains an open Scheme, it has a long-term investment horizon and as a result we believe stewardship considerations should be incorporated in our approach to help maintain the long-term sustainability of the Scheme. A long-term time horizon also ensures that SAUL can meet its stewardship priorities as we can invest in illiquid assets which, in our view, is where the most stewardship impact can be made.

Member Views

SAUL has Union representation from UNISON and Unite on its Trustee Board and Committees, and this helps ensure that the needs of members are considered.

STC also has a dedicated Communications Team who are tasked with updating members on all aspects of the Scheme, encourage and collate member feedback and issue annual surveys to gauge the wants and needs of members. The outputs from the annual member survey and agreed actions are considered by the EMT and the Trustee Board.

Case Study 5 – Annual Member Survey
In December 2021 SAUL launched its annual survey for the DB Section to find out what members thought about their SAUL pension and the service they received. With regards to stewardship matters, we received queries on how we were considering the risks posed by climate change. We responded to members on our approach to climate change in a news article and accompanying report which can be found here [LINK].

Member Communications

The table below sets out the communications on ESG and stewardship matters over the year:

Item	Overview
2021 Global Investor Statement to Governments on the Climate Crisis:	• SAUL signed the 2021 Global Investor Statement to Governments on the Climate Crisis as set out under Principle 4 of page 19 of this report. • The communication can be found here [LINK].

Implementation Statement:	• Implementation Statements are required to be produced under the Occupational Pension Schemes (Investment) Regulations 2005. For DB Scheme's (such as SAUL) these include:
	  ○ Details of how and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year in respect of voting and engagement.
	  ○ Description of voting behaviour (including "most significant" votes by, or on behalf of, the Trustee) and any use of a proxy voter during the year.
	  ○ Explains how and the extent to which the Trustee has followed its engagement policy.
	• The Statement can be found in our annual report and accounts here [LINK].

Annual Review:	• Each year SAUL produces a condensed newsletter for members setting out the main activities undertaken. It also includes any updates with regards to ESG and stewardship matters. • The review can be found here [LINK].

Details of all SAUL's news items can be found here [**LINK**].

Review of Principle 6
We believe the member communications on SAUL's stewardship activities has been appropriate. Over the next few years, with the new climate change disclosure requirements, we will consider how best to convey to members the key messages from these reports.

Principle 7 - Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Background

SAUL's consideration of ESG and stewardship matters began in 1999 with the appointment of PIRC for general corporate governance research and advice. This relationship has been enhanced over the years with PIRC appointed to help SAUL produce its first Corporate Governance and Shareholder Engagement Policy in 2012. This policy was put in place to ensure a clear approach across the segregated public equity portfolio, and to ensure that voting was consistently applied across all shareholdings.

Up until 2019, SAUL voted in-line with PIRC's voting policy, but we worked with PIRC at that time to set a bespoke voting policy for SAUL which sought to reduce the number of abstain votes.

In 2013, as set out under Principle 2 on page 12 of this report, SAUL signed Principles of Responsible Investment, committing us to integrate the six principles and to complete an annual assessment of our activities. Furthermore, our first RI Policy was commissioned in 2019 to formalise SAUL's approach and also to set out how we assess and monitor the Scheme's investment managers with regard to integration of ESG factors in their investment approach.

Stewardship Scope and Limitations

SAUL's approach to stewardship 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:	• 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. • SAUL maintains a preference for segregated accounts to ensure that our Corporate Governance and Shareholder Voting policy and engagement approach can be implemented in a consistent manner.
Public Fixed Income	• SAUL's fixed income investments are predominantly invested in UK Government Bonds and global corporate bonds. We expect our investment managers to engage, particularly prior to new issuance as this is where we believe the most impact can be made.
Private Markets:	• SAUL's private market investments cover a range of investment opportunities (private equity, infrastructure, credit etc.) 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 with the General Partner normally taking Board seats (and often representing the majority). 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 in which we invest.

Investment Managers

SAUL incorporates ESG and stewardship criteria when selecting investment managers across all asset classes. Specific questions are included in the Request for Information ("RFI") sent to prospective managers. Furthermore, the Strategic Investment Consultant is asked to evaluate the integration of ESG risks within each investment manager's investment process, highlighting whether the manager has a comparative advantage against their peers. Should the investment manager be asked to attend a selection meeting, they are challenged on their consideration of ESG risks at that meeting and asked to provide examples of how they mitigate them.

Case Study 6 – Selection of Public Credit Manager

During the year, SAUL ran a selection exercise for a public credit mandate with the help if its Strategic Investment Consultant. As part of the RFI, we included the following questions on ESG matters:

- Please describe how you integrate ESG factors into your investment process. If ESG is not integrated, please explain why?
- Do you have any firm-wide exclusions that apply across all portfolios?
- Please can you confirm you are able to apply client specific restrictions? (e.g. companies that generate a stated percentage of its revenue from the extraction of thermal coal).
- Please describe how your firm and the strategy manage climate change risk?
- Please provide details of your firm's involvement in industry-wide climate change and ESG groups?
- Provide copies of your ESG and TCFD client reporting.

Strategic Investment Consultant

SAUL's Strategic Investment Consultant, Redington, has invested heavily in establishing a Stewardship and ESG team to help clients develop polices and implement strategies to help meet their goals.

Redington integrate ESG and Stewardship considerations into their manager selection process and ongoing monitoring and we see evidence of this in the reporting that they provide. Furthermore, following agreement on SAUL's climate change risk management objectives Redington will update their reporting to include relevant metrics.

PIRC

PIRC engage with SAUL's portfolio companies on a regular basis using a thematic framework to identify ESG issues. As part of PIRC's appointment, the STC Investment Team reviewed their recent engagement work which had focussed on outsourcing, covering a number of industries. The pandemic had presented uncertainty for outsourced workers in particular because of combined risks of job insecurity, cuts to hours and pay, and delivery of frontline services where COVID-19 transmission had been high.

Review of Principle 7
SAUL's investment managers have shown improvements over the year, with many enhancing the disclosure of their stewardship activities. The STC Investment Team will continue to work with those managers that require improvement (vs their peers in each asset class).

Principle 8 - Signatories monitor and hold to account managers and/or service providers.

Investment Managers

In order to ensure that our investment managers continue to integrate and enhance their approaches to ESG, the STC Investment Team has developed an RI dashboard. This dashboard covers our assessment of whether investment managers:

- Have clear policies on how they integrate RI throughout the investment lifecycle;
- Provide us with evidence of how they incorporate ESG considerations into investment decision making, how the identify the significant ESG risks and how they intend to mitigate these e.g. through engagement for change;
- Encourage companies to adhere to best practice and adopt industry codes for sustainability and disclosure;
- Work with ESG data providers to improve data standards;
- Review and enhance the tools they use to identify ESG risks and implement firm-wide training programmes;
- Produce relevant reporting and analytics to SAUL on a regular basis.

The IC receives a copy of the meeting note from the STC Investment Team after each investment manager meeting. As well as containing a review of the business and mandate performance, the note includes an assessment of the investment manager's approach to stewardship, including ESG matters. If any issues are identified, the IC determines whether the resultant risk warrants the termination of a manager mandate and if not, decide what actions should be taken.

In order to monitor engagements undertaken by SAUL's investment managers, the STC Investment Team developed an engagement template which our investment managers are asked to complete on a quarterly basis. For each engagement the template requires information on the engagement objective, what was discussed, whether or not the engagement objective has been completed and if the engagement has changed the investment manager's view of the company. This template is reviewed by the STC Investment Team on a quarterly basis, with a selection of engagements also shared with the IC.

Case Study 7 – Manager Performance Reviews

The STC Investment Team is responsible for conducting regular reviews of SAUL's external investment managers.

Over the year to 31 March 2022, the team carried out 5 manager review meetings where considerations included performance against target and their approach to the integration and reporting of ESG considerations. The main findings and areas for improvements were as follows:

- External ESG specialists had been hired by both public and private markets managers to help develop the understanding of key ESG risks and help standardise ESG risk monitoring and reporting.
- Public equity managers had improved reporting and disclosure to SAUL, with one manager commissioning a detailed ESG report which included portfolio ESG scores and carbon metrics.
- We encouraged one of our private infrastructure investment managers to improve reporting and disclosure of performance against environmental aspects, workplace standards, health and safety practices, governance (including compliance with applicable laws and regulations) and local community engagements.

Strategic Investment Consultant

As required by the FCA, the IC conducts an annual review of the performance of the Strategic Investment Consultant, Redington. Redington is asked to self-evaluate against a set of agreed metrics, and these include advice provided to SAUL on stewardship, including ESG matters. These responses are considered by the STC Investment Team, with a review sent to the IC for comment.

Over the year to 31 March 2022, Redington continued to produce their annual ESG dashboard to supplement the STC Investment Team's RI monitoring of the investment managers. This dashboard provides ESG scores across all of our public equity and fixed income mandates using the MSCI ESG Scores and MSCI Carbon Metrics data. They also provided advice to our Climate Change Working Group to help formulate SAUL's climate change risk management objectives.

The review of Redington in the year to 31 March 2022 raised no issues with regards to the advice provided on stewardship, including ESG matters.

PIRC

PIRC's appointment as corporate governance adviser is reviewed at least every three years, with the last review undertaken in February 2021. The STC Investment Team reviews PIRC's implementation of our bespoke voting policy and the support they provide on stewardship, including ESG matters. The STC Investment Team formally reviews the PIRC's VOICE engagement service on an annual basis and the team also holds quarterly calls with PIRC to receive updates on their engagement activities over that period, along with future engagement priorities. PIRC produce an annual engagement report for SAUL at our 31 March year end.

Review of Principle 8
SAUL's approach to monitoring and holding to account managers and/or service providers has operated effectively over the period. Given SAUL's new climate change risk management objectives, we will continue to enhance our monitoring capabilities to ensure they remain effective.

3. Engagement

Principle 9 - Signatories engage with issuers to maintain or enhance the value of assets.

Background and Expectations

Engagement is an important tool to advocate for change where ESG risks at companies are identified. We have not set engagement expectations for our investment managers however we expect them to utilise their engagement budget on those ESG risks that are most relevant to their investment portfolios.

With regards to PIRC, we have set engagements expectations through our agreement with them. Engagements for SAUL will align with our priorities in respect of climate change risk management and employment standards which have both been chosen by the Trustee from the United Nations Sustainable Development Goals[5] (8: “Decent Work and Economic Growth” and 13: “Climate Action”).

Investment Managers

SAUL appoints external investment managers for all of our investment mandates and part of their remit is to engage with underlying companies, firstly to build long-term relationships with them and then to engage where they have identified ESG issues for escalation. Managers are also expected to report back to SAUL on their activities.

As mentioned under Principle 8 on page 28, the STC Investment Team developed an engagement template which the investment managers are asked to complete on a quarterly basis. Example engagements over the period are provided below.

Company Name	Manager (Asset Class)	Engagement Type	Commentary
Esker	Montanaro (Public Equity)	Environmental	***Company Information:*** *Esker is a French company that specialises in software that helps businesses automate their back-office systems by dealing electronically with orders and invoices.* ***Manager’s Engagement Note:*** *We have seen from the company’s latest Sustainability Report that Esker seeks to integrate sustainability into its business decisions and is transparent regarding carbon emissions, paper waste production and other metrics concerning its environmental footprint. While we applaud transparency and the disclosure of Scope 1, 2 & 3 emissions, we were keen to speak to management*

[5] https://sdgs.un.org/goals

Company Name	Manager (Asset Class)	Engagement Type	Commentary
			regarding their future plans. We discussed the importance of forward-looking carbon targets and asked if Esker had plans to introduce such measures. The company replied that this was indeed something that was in discussion but unfortunately, they did not feel able to implement such targets yet. The measuring and reporting of carbon emissions only began in 2018 and as a consequence, setting a base level from which reductions could be measured is difficult due to the distorting influence of the pandemic and remote working. *We also asked about the possibility of using third party initiatives to help set goals and substantiate reported targets, emissions levels and the businesses' wider environmental trajectory. They said that this is something that they would investigate (for example use of SBTi).* *Another topic under discussion was that of Esker's digital carbon footprint. This is an important area for the company given its specialism in software. We discussed how the developers strive for efficiency which in turn has an impact on energy usage. In addition, we touched upon the migration to cloud-based servers rather than on premise facilities. Esker are encouraging all new clients to move to this service which is more flexible and resource efficient. This means it is a key feature of their digital carbon footprint reduction plan.* ***Outcome:*** *We look forward to monitoring the ongoing development of the Esker climate change strategy. We would like to see the next Sustainability Report build on current reporting to include future targets and plans, ideally to include external verification.*
Ammega[6]	**Partners Group** **(Private Equity)**	**Overall Sustainability**	***Company Information:*** *AMMEGA is the parent company for the joint operations of Ammeraal Beltech and Megadyne, the global leader in mission critical industrial power transmission and lightweight process and conveyor belting. The company has 25 manufacturing facilities globally, a diversified portfolio of 50+ industry applications and 50,000+ customers.* ***Manager's Engagement Note:*** *Ammega finalised its 2025 ESG & Sustainability vision during the period. This includes steps towards reducing its environmental impact, improving its employee engagement and further developing*

[6] Source: Partners Group. Company website: https://www.ammega.com/

Company Name	Manager (Asset Class)	Engagement Type	Commentary
			controls on sustainability data. The overarching objective is to enable the company to further improve its existing bronze EcoVadis rating. EcoVadis provides holistic sustainability ratings, which blue chip companies often request of suppliers to assess the sustainability of operations. *The company conducted its first organisational health index (OHI) assessment during the period. The OHI survey assesses key practices and outcomes and provides a health score that can be used to benchmark against peers. After the assessment, a plan was set to improve on the opportunities and continue increasing the score.* ***Outcome:*** *Ammega has set a plan to significantly reduce Scope 1 and 2 emissions through identifying opportunities to reduce electricity and fuel consumption. All facilities were requested to identify opportunities and submit their proposals to Ammega's Corporate Social Responsibility team in order to prioritise projects that will be implemented. The next step would be to switch to renewable sources, where available, and only offset if necessary.*

PIRC

Over the year, with disclosure requirements on companies increasing, and ever greater societal scrutiny of their Net Zero ambitions, a growing number of companies were seeking shareholder approval through a ‘Say on Climate’ vote. This in turn led to more intensive engagement by investors.

Turning to workforce issues, the experience of the Covid-19 pandemic had rightly led to increased appreciation of the vital role played by often lower-paid workers in sectors like care, retail and hospitality and transport. This has led to more engagement on pay and conditions. Other engagements during the year covered topics such as responsible tax and diversity and inclusion.

Examples of engagements on behalf of SAUL for the year ended 31 March 2022 are shown in the table below:

Company Name	Engagement Type	Commentary
Cranswick plc **(Packaged Food)**	**Social**	***Company Information:*** *Cranswick plc is engaged in the production and supply of food: products including fresh pork, sausages, bacon and cooked meats for sale to the food retailers. The company’s subsidiaries include Cranswick Country Foods plc, Cranswick Country Foods (Norfolk) Limited, Cranswick Convenience Foods Limited and East Anglian Pigs.*

		Engagement Topic: *The engagement was focused on working conditions in food processing plants, low hourly pay, use of agency contracts and health and safety risks that have intensified during the COVID-19 pandemic.* *PIRC has participated in a collaborative engagement with Cranswick as part of the FAIRR Initiative's work on labour conditions in the meat supply chain. Other investor participants include Petercam Asset Management, LGIM and BMO Global Asset Management.* *The company reported that it has a robust due diligence process to ensure the safe treatment of its workforces. It operates a whistleblowing hotline available to contracted and agency workers, and these workers also have the opportunity to report issues to the Gangmasters and Labour Agency Association. There are Works Committees and trade union representatives on site, as well as staff surveys biannually to gauge whether employees feel comfortable raising grievances. The company meets the legal minimum requirement for statutory sick pay (SSP), however given the low rates of SSP in the UK this is not deemed adequate to compensate workers requiring time off to isolate.* ***Outcome:*** *The meeting was followed up with written questions and recommendations to improve disclosure including ensuring the legitimacy of grievance mechanisms by disclosing metrics of reported grievances by category, in order to indicate whether workers trust the channels. The group also requested disclosure of metrics on employees by contract type for all plants and a full breakdown of union representation.* *Finally, PIRC requested commentary on the company's strategy to assess the impact of broader industry trends on its workforce. PIRC is developing a position paper on what the Just Transition means for corporate governance and workforce engagement. This is applicable to companies facing changes as a result of climate change, but also those companies looking to accelerate automation, both of which put jobs and job quality at risk. Cranswick is exposed to both trends and associated risks, as such we will continue to engage with the company and monitor progress against our expectations.*
ENN Energy **(Utilities)**	**Environmental**	***Company Information:*** *ENN Energy Holdings Ltd. is an investment company engaging in the construction and management of gas pipeline infrastructure and forms part of one of the largest energy groups in China. It is listed on the Hong Kong Stock Exchange and is headquartered in Langfang, China.* ***Engagement Topic:*** *According to research by the Rhodium Group, China emitted 27% of the world's greenhouse gases during 2019, a figure greater than the entire developed world combined. With the country thought to still be running over 1000 coal power plants the rapid transition necessary to prevent average global temperature rise exceeding 1.5 degrees will be challenging. It is essential that engagement and stewardship activity remains inclusive and supportive despite the challenge posed by ownership structures in the far east. That said, this call took place with the backdrop of president Xi Jinping announcing that China would reach peak CO2 emissions by 2030 and target carbon neutrality by 2060.*

		During Q2 PIRC met with the company Director of Investor Relations & Sustainability to discuss its carbon reduction strategy. PIRC questioned the company on its current target of a 20% reduction in emission intensity by 2030 with 10% by 2025, this alongside an overall ambition to be carbon neutral by 2030. PIRC raised concerns around intensity-based targets being underpinned via natural offsets and the purchasing of carbon credits. This approach does not necessitate a net reduction in emission output over the short-term. It is also considered that offsets should only form part of a carbon mitigation strategy in exceptional circum- stances, by companies within the hardest to abate industries, of which energy is not one. PIRC also encouraged the company to set a date for peak gas, best practice would see guidance published on when capital expenditures in carbon intensive assets will peak. *PIRC also asked questions regarding the extent to which the company Board was equipped to successfully navigate the energy transition. Concerns were raised over the lack of sufficient independent climate-related expertise at the Board level. This conversation fed into a discussion regarding whether the company had planned for an inclusive transition and the extent to which it was engaging relevant stakeholders on the issue.* ***Outcome:*** *PIRC will continue to maintain dialogue with the company encouraging a renewed climate strategy focused on increasing capital expenditure on its integrated renewable energy business, setting a date for peak gas and a shift away from the use of offsets and carbon credits.*

Review of Principle 9

Given our resourcing constraints, we are comfortable that the external investment managers and servicing providers are engaging with companies, policymakers etc. on stewardship matters that they have identified.

Principle 10 - Signatories, where necessary, participate in collaborative engagement to influence issuers.

Background

SAUL recognises that, given our resource constraints and size of our holdings, there are limits to the influence that we can achieve on our own and so SAUL focusses 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.

The STC Investment Team monitors collaborative engagements through PRI notifications and from PIRC directly.

Collaborative Engagement - SAUL

The table below shows an example of a collaborative engagement in which SAUL took part over the review period:

<table>
<tr><th>Companies Engaged (SAUL exposures)</th><th>Commentary</th></tr>
<tr><td>

Hoya Corp

Tokyo Electron

Samsung Electronic

ASML Holding

</td><td>

Conflict Minerals in the Semi-Conductor Supply Chain
In October 2021, PIRC approached SAUL with a collaborative engagement opportunity regarding “conflict minerals” (tantalum, tin, tungsten, gold and cobalt) that are vital to the semiconductor industry.

Over the last decade there has been a large shift in the sourcing of these minerals to central Africa, where many mines operate with poor labour and environmental standards. Poor traceability of these minerals along complex supply chains can lead to the inadvertent financing of armed conflict and human rights abuses. The list of target companies is weighted towards Asia.

The initiative is being facilitated by Stewart Investors who are requesting that the target companies take a leadership position in developing conflict mineral free supply chains in the industry through the following actions:

- Develop and invest in technological solutions to improve traceability, possibly block chain.
- Increase transparency and reporting on minerals from mine to product.
- Encourage and participate in industry wide collaboration to improve industry practices.
- Impose and enforce harsher sanctions on non-compliance.
- Reduce demand for new materials by improving recycling initiatives.

What action has SAUL taken?
Along with 160 other investors with collective assets under management of US$6.59 trillion, SAUL signed a letter to 29 companies in December 2021. A recent call with Stewart Investors highlighted promising engagement on the topic from the target companies, albeit a small proportion had failed to respond. For those companies that had responded, some were clearly passionate and were actively aware for the issue. Some companies, however, were less enthusiastic and were only interested in meeting minimum compliance standards which are inadequate.

Next steps?
For those mandates where SAUL has exposure to these companies, we will engage with the managers in terms of their own risk assessments and engagement plans.

</td></tr>
</table>

Investment Managers

As part of our review and monitoring of our investment managers, we are keen to see them engage collaboratively with other investors and respond to relevant industry consultations. An example from Legal & General Investment Management (“LGIM”) is shown below:

Case Study 8 – Engagement with the European Union – Q3 2021[7]

LGIM has been engaging the European Commission (EC) on various ESG policy related topics. For example, we have collaboratively engaged with other investors on the EU Taxonomy, particularly in relation the agricultural sector, alignment on net zero, and ensuring that the original independent scientific-based recommendations are not weakened through political processes.

We have also engaged through the UN's Principles for Responsible Investment team on ensuring the EC develops a robust Corporate Sustainability Reporting Directive (CRSD). We outlined six important areas which the EU should consider when taking their proposal forward, specifically on: extension of scope; double materiality and integrated reporting; assurance; standard setting and harmonisation; single electronic formatting; and the timeline for development.

SAUL monitors collaborative engagements through its quarterly monitoring template completed by the investment managers as well as the annual stewardship reports and PRI transparency and assessment reports produced by the investment managers.

PIRC

As well as engaging with companies on behalf of SAUL, PIRC is also a member of various industry groups and collaborates through these on engagements (e.g. PLSA (Pensions & Lifetime Savings Association), Council of Institutional Investors and the Workforce Disclosure Initiative). These groups also help PIRC have sight of ESG issues in the marketplace and helps them to tailor their own engagements on behalf of clients more effectively.

Strategic Investment Consultant

As well as engaging with us to help formulate our approaches to ESG and stewardship matters, Redington takes an active role in ensuring that, as an industry, investment consultants strive to solve industry and market wide issues.

In 2020, having co-founded the Investment Consultants Sustainability Working Group, Redington participated in the creation of the Net-Zero Investment Consultants' Initiative and were part of the steering groups for both organisations. Redington also responded to public consultations such as:

- TCFD Consultation on potential updates to its model (July 2021).
- The Pension Regulator consultation regarding guidance on TCFD (August 2021).
- World Benchmarking Alliance (WBA) follow-up consultation on benchmarking (July 2021).
- DWP Consultation on Investment and Reporting (December 2021).

Review of Principle 10

[7] LGIM Q3 2021 ESG Impact Report

Given our internal resourcing constraints, we are comfortable that the external investment managers and servicing providers are engaging collaboratively with companies, policymakers etc. on stewardship matters that they have identified.

SAUL will continue to evaluate collaborative engagements on a case-by-case basis.

Principle 11 - Signatories, where necessary, escalate stewardship activities to influence issuers.

Background and Expectations

We believe that effective engagement i.e. escalating ESG issues identified and advocating for change is the most important part of the engagement process.

SAUL

As we have set out in this report, our approach to escalation of stewardship depends on the nature of the asset class but will include collaborative engagement with companies and issuers directly or through our investment managers and PIRC, along with continuing to vote against management where we have concerns or companies are not following best practice.

Our escalation could include abstaining or voting against management as part of our voting at company meetings, or engagement with companies - through our managers, PIRC or directly (as part of a collaborative engagement).

Investment Managers

As highlighted under Principle 8 on page 27, SAUL has a framework for monitoring the investment managers and this includes identifying items that need escalation. Should an investment manager not meet our requirements with regard to stewardship, we may withhold additional investments until the issue has been rectified or if the issue persists their mandate may be terminated.

PIRC

Principles 2 and 9 on pages 10 and 32 respectively set out how PIRC works with us to engage collaboratively with companies and vote in line with SAUL's voting policy. We asked PIRC to focus their engagements over the year to 31 March 2022 on climate change risk and working conditions, escalating any issues appropriately.

We will continue to work with PIRC to help us engage on issues relevant to SAUL and An example of PIRC's approach to escalation is shown below:

Case Study 9 – Starbucks (Decent Work)

Overview:

Starbucks Corporation was founded in 1971 as a coffee bean retailer, and has become one of the most prominent coffee house chains in the world. The Corporation engages in the purchase, roasting, and sale of whole bean coffees worldwide. In addition to drip brewed coffee and espresso beverages, the company shops also serve tea and bottled beverages, pastries, and ready-to-eat sandwiches. Some of its stores are inside other retail locations such as supermarkets, banks, and bookstores.

Issues Arising:

Since the start of 2022, employees at over 200 Starbucks locations in the US have begun to vote on whether or not to unionise.

PIRC has been part of a group of investors comprising Trillium Asset Management SOC Investment Group, Parnussus Investments and the Office of New York City Comptroller Brad Lander to engage with Starbucks over employment-related issues. PIRC worked with the investor group to initiate a joint letter to the company which was signed by investors with over $3.4 trillion in assets under management. This requested that the company refrain from interfering in the election process and instead allow employees to make their own choice.

Since the meeting employees have continued to vote strongly for unionisation, with around 90% of sites voting in favour. Kevin Johnson has subsequently resigned from the leadership of Starbucks with former CEO Howard Schultz taking over the role on an interim basis. It is clear that the company continues to oppose active unionisation.

Outcomes and Follow-ups:

PIRC continues to participate in the group that is engaging with Starbucks. Due to concerns about the company's stance, including the firing of pro-union employees, we recommended clients oppose the re-election of the CEO at the company's AGM in March 202.

Review of Principle 11

Our monitoring and implementation of escalating stewardship issues is perhaps the most underdeveloped part of our approach. We have, historically, relied on our external investment managers and other service providers to escalate issues on our behalf, with little monitoring on our part to ensure that escalation takes place and whether the engagement objectives have been completed.

Over the next review period we will seek to enhance our approach in this area.

4. Exercising Rights and Responsibilities

Principle 12 - Signatories actively exercise their rights and responsibilities.

Background and Expectations

Exercising of SAUL's shareholder rights is delegated to PIRC across all of our segregated public equity investments, where they vote at portfolio company meetings in-line with our Corporate Governance and Shareholder Engagement Policy.

Where possible, we also look to influence issuers of public and private fixed income assets by encouraging our external investment manages to incorporate sustainability key performance indicators and / or targets into bond documentation.

Public Equities

If there are any voting issues that are not covered by SAUL's policy, PIRC will inform SAUL of these issues and make proposals regarding any action to be taken. All votes were covered by SAUL's policy over the year to 31 March 2022.

In addition, SAUL encourages its managers to highlight any significant upcoming votes in which it is likely that PIRC would recommend voting in a different manner to the way in which the investment manager intends to vote. In these circumstances, the CIO and the Chair of the IC consider the views of both PIRC and the investment manager before determining how the vote will be cast.

Over the year to 31 March 2022 no changes were made to the votes recommended by PIRC.

PIRC provides individual company reports to the STC Investment Team ahead of each company meeting. These set out the rationale for the voting recommendations under each agenda item. PIRC also set out whether their report was sent to the company for comment and if any changes have been made to the PIRC voting recommendation as a result of any feedback received.

A sample of these reports are reviewed by the STC Investment Team to ensure compliance with SAUL's voting guidelines. There were no issues identified over the year to 31 March 2022.

SAUL participates in a stock lending programme with its Global Custodian. In order to exercise our vote at all company meetings at which SAUL invests, a proportion of shares are excluded from the stock lending programme. At times SAUL may recall all of the stock on loan for a company in which it invests should there be a voting issue of particular significance however there were no such instances over the year to 31 March 2022.

Over the year to 31 March 2022, SAUL voted on 3,734 resolutions at 296 meetings where we held public equity securities. Further details can be found in our Implementation Statement in SAUL's Annual Report and Accounts which can be found here [**LINK**].

Votes that were been deemed by the Trustee to be "most significant" over the year to 31 March 2023 are those that align with SAUL's current stewardship priorities in respect of climate change risk management and employment standards which have both been chosen by the Trustee from the United Nations Sustainable Development Goals[8] (8: "Decent Work and Economic Growth" and 13: "Climate Action"). Examples of most significant votes are provided in the table below:

Company (Sector)	Meeting Date	Theme / (Vote Type)	Commentary
Barclays PLC **(Banks)**	**5 May 2021**	**Environmental** **(Shareholder Resolution)**	**What was the vote about?** **Disclose Climate Action Plan and Report Annually on Progress** Market Forces[9] requested that the Directors be authorised and directed by the shareholders to set, disclose and implement a strategy, with further and improved short, medium, and long-term targets, to phase out its provision of financial services to fossil fuel (coal, oil and gas) projects and companies in timeframes consistent with the Paris Agreement. The resolution also requested that the company agree to report annually on progress under that strategy, starting from 2022, including a summary of the framework, methodology, timescales and core assumptions used, omitting commercially confidential or competitively sensitive information, and at reasonable cost. **What did SAUL consider?** • PIRC reviewed the resolution on SAUL's behalf and noted that the report will be consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It will also include the evolution of emissions of the different business activities, facilities and assets over which the company maintains control, and will indicate annual progress with respect to the Greenhouse Gas Emissions Reduction Plan. Furthermore, the report on the climate strategy will be submitted each year to the ordinary general meeting. **How did SAUL Vote?** - For. **Outcome:** For (12.3%), Oppose (75.4%), Abstain (12.2%) **Why was the vote significant?** This vote was in-line with SAUL's focus on climate risk management. It is imperative that companies have clear

[8] https://sdgs.un.org/goals
[9] https://marketforces.org.uk/

Company (Sector)	Meeting Date	Theme / (Vote Type)	Commentary
			plans in respect of their exposure to fossil fuels and full disclosure is in shareholders' best interests. PIRC is continuing to engage with Barclays on this topic.
BP Plc **(Oil & Gas)**	**12 May 2021**	**Environmental** **(Shareholder Resolution)**	**What was the vote about?** **Climate Change Targets** Follow This[10] proposed that the company set and publish targets that are consistent with the goal of the Paris Climate Agreement, to limit global warming to well below 2C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5C. **What did SAUL consider?** • PIRC reviewed the resolution on SAUL's behalf and noted that most investors accept the Intergovernmental Panel on Climate Change (IPCC) recommendations that net emissions of carbon dioxide must fall by 45% by 2030 and reach 'net zero' by 2050 to maintain warming below 1.5 degrees Celsius, and that these goals must be integrated into business planning decisions. • Comprehensive reporting on climate impacts is in shareholders' interests both as a means of informing them of potential risks and opportunities faced by the company, of strategies put in place to manage those risks and opportunities, and of the evaluation of the potential impact of different scenarios, including a 1.5 degrees Celsius scenario, on their businesses, strategy, and financial planning. **How did SAUL Vote?** - For. **Outcome:** For (20.0%), Oppose (76.7%), Abstain (3.3%) **Why was the vote significant?** This vote was in-line with SAUL's focus on climate risk management. It is imperative that companies have clear plans in respect of their exposure to fossil fuels and full disclosure is in shareholders' best interests. PIRC is continuing to engage with BP on this topic.

Pooled Fund Holdings

Over the year to 31 March 2022, SAUL did not invest in any pooled funds that held public equities. Should SAUL invest in pooled funds in the future, the IC would review the investment manager's approach to voting - noting those situations where a manager may vote differently from SAUL's voting policy.

Fixed Income

[10] https://www.follow-this.org/

SAUL's fixed income investments consist mainly of global public corporate bonds and UK private credit. Although we have not set any expectations with external investment managers with regards to including sustainability metrics in bond documentation, some managers to do include them and an example is shown in the table below.

Case Study 10 – Private Credit – Real Estate
SAUL participated in a private credit transaction with a real estate borrower which was secured by a portfolio of six regional offices and a development site in the north of England. The transaction included several sustainability-linked loan features, with the following three key-performance indications: • Circular Economy - Maintain zero to landfill across all operational buildings. • Energy Efficiency - Obtain BREEAM In Use (Excellent) certificate for the Development Property. • Green Buildings - Decrease in Scope 1 and Scope 2 emissions of the financed portfolio in line with the Science Based Targets initiative (SBTi) methodology. The borrower is entitled to a maximum margin reduction of 15bps over the term of the transaction on successfully achieving the respective KPIs.

Private Markets Investments

SAUL's private market investments cover a range of investment opportunities (direct lending, private equity, private infrastructure etc.) 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 in order to ensure that SAUL can influence appropriate integration, disclosure and reporting of ESG considerations, we look to achieve a seat on the Advisory Committee of each Limited Partnership in which we invest.

In terms of voting rights, the private markets funds hold annual general meetings whereby clients can vote on the annual report and accounts and appointment of auditors. Should a vote be required, SAUL applies the principles set out in our Corporate Governance and Shareholder Engagement Policy.

Over the year to March 2022, SAUL voted at 2 meetings of our private market investments with our main oppose votes being the re-appointment of auditors - as many of these funds have engaged the same audit firm for over 10 years.

Class Actions

In order to monitor potential class actions on our investments, SAUL has appointed two firms (Robbins, Gellar, Rudman and Dowd LLP and Grant Eisenhofer LLP) to monitor and notify the STC Investment Team of any cases in which a claim may exist on a quarterly basis. These firms are provided with trading history on a quarterly basis from our Custodian.

The reporting that these firms provide also acts as a check on the activities of the Custodian who submit claims in the US on behalf of SAUL.

Over the year to 31 March 2022, SAUL received c.£3k of proceeds from historic class action settlements.

Litigation

In order to safeguard SAUL's assets, the prospect of litigation is an important tool but is viewed as a last resort in most cases. Using the monitoring services described above, SAUL will consider whether or not to participate directly in litigation on a case-by-case basis.

Over the year to 31 March 2022 SAUL did not act as lead plaintiff in any litigation cases.

Review of Principle 12
SAUL actively exercised our rights regarding the investments over the year to 31 March 2022.

Review and Future Plans

The year to 31 March 2022 saw SAUL agree our approach to climate change risk management, with objectives agreed by the Board in November 2021. Consultation with employers and Unions took place in early 2022 and a revised SIP was agreed.

The table below summarises our main priorities over the next few years.

Considerations and Enhancements to SAUL's Approach
• Publish SAUL's first climate change risk management report for the year ended 31 March 2023.
• Continue to engage with our external investment manages to improve ESG reporting and disclosure.
• Review our approach to monitoring, escalation and disclosure of stewardship activities.