Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustees of the University of Glasgow Pension Scheme ("the Scheme") in accordance with the Pensions Act 1995 (as amended). It is subject to periodic review by the Trustees at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustees consulted with the principal sponsor of the Scheme (the Court of the University of Glasgow) and have taken and considered written advice from the Investment Practice of Isio Group Ltd.

The Trustees whilst retaining overall responsibility for the investment strategy have appointed an Investment Sub-Committee ("ISC") to assist and advise the Trustees on investment matters. Agendas, Meeting papers and minutes of all ISC meetings are circulated to all members of the Trustee Board.

Scheme objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Trustees' over-riding funding principles for the Scheme are set out in the Statement of Funding Principles, as amended from time to time. The principles can be summarised as follows;

To set the employer contribution at a level which is sufficient to:

- Build up assets to provide for new benefits of active members as they are earned;
- Recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- Ensure that Scheme assets (at their realisable value) are sufficient to meet 100% of benefits as they fall due for payment to members.

For members of the Scheme, benefits are based on service completed but take account of expected future salary increases. The value of liabilities is calculated on the basis agreed by the Trustees and the Scheme Actuary and is set out in the Statement of Funding Principles; the Trustees also consider the Scheme's funding position on a solvency basis. These funding positions are monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustees have translated their objectives into a suitable strategic asset allocation for the Scheme. The aim of the strategy is to invest in a portfolio of assets that generates sufficient return in conjunction with contributions to meet the liabilities as these fall due.

The agreed Strategic benchmark is consistent with the Trustees views on the appropriate balance between seeking an enhanced long-term return on investments and accepting short-term volatility and risk. In determining an appropriate investment strategy, the Trustees have also given regard to the ability of the sponsor to provide additional funding to the Scheme, if necessary.

The investment strategy takes due account of the maturity and anticipated cashflow profile of the Scheme, together with the level of disclosed surplus or deficit (relative to the funding bases used on an ongoing basis). The Trustees monitor fund performance relative to the agreed asset allocation benchmark on a regular basis. It is intended that the investment strategy will be reviewed at least every three years before actuarial valuations of the Scheme, and will normally be reviewed annually. In reviewing fund performance and investment strategy, the Trustees will seek written advice as required.

Leverage and collateral management

The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio. Further details on this can be found in Appendix 5.

The Trustees have a stated collateral management policy / framework. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will review and stress test this framework on a regular basis.

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Scheme as listed in the SIP. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;

- The exercise of rights (including voting rights) attaching to the investments, although the Trustees will in advance explain to their investment managers what they consider to be most significant votes in line with the Scheme's stewardship priorities via the investment consultant;

- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	**Method for monitoring and engagement**	**Circumstances for additional monitoring and engagement**
Performance, Strategy and Risk	• The Trustees receive a quarterly report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant ISC meeting. • The Scheme's investment managers are invited from time to time, in person, to present to the Trustees on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies. • Changes to key personnel
Environmental, Social, Corporate Governance factors and the exercising of rights	• See Appendix 3	• See Appendix 3

Through the engagement described above, the Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant investment manager's appointment and will consider terminating the appointment.

Exercise of Voting Rights: The Trustees have delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies. The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Details of investments and of the investment managers' mandates are set out in Appendix 1.

Kinds of investment to be held: The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest instruments, floating rate instruments, loans, index linked bonds, cash and property and other alternatives; either directly or through pooled funds. The Scheme may also make use of derivatives and contracts for difference for the purpose of efficient portfolio management or to hedge specific risks. The Trustees consider all of these classes of investment to be suitable in the circumstances of the Scheme.

Balance between different kinds of investments: The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market each manager will maintain a diversified portfolio of securities through direct investment or pooled vehicles.

Risk: The Scheme is exposed to a number of risks which pose a threat to meeting its objectives. The principal risks affecting the Scheme and the Trustees' policies for mitigating such risks are set out in Appendix 2.

Expected return on investments: The investment strategy aims to achieve a return on Scheme assets which taken in conjunction with contributions is sufficient over time to match growth in the Scheme's pension liabilities.

Realisation of investments: The Trustees' strategy seeks to ensure sufficient liquidity whilst exploiting the premium for investing over the long term. The Scheme's investments in diversified growth, corporate bonds and diversified credit may be realised quickly if required. The agreed allocations to less liquid alternatives will not be able to be realised immediately.

Additional Voluntary Contributions (AVCs): The Trustees give members the opportunity to invest additional contributions with Prudential. A range of equity and bond funds is available for investment at members' discretion.

Additional Assets: The Trustees hold additional assets in the form of annuity policies with Aviva, Phoenix Life and Sun Life. These annuities are negligibly small in the context of the Scheme's assets (less than 1% of overall Scheme assets) and are intended to match a portion of the liabilities.

Signed For and on Behalf of the Trustees of the University of Glasgow Pension Scheme.

Date of Amendments

First Amendment: June 2000
Second Amendment: April 2004
Third Amendment: November 2004
Fourth Amendment: September 2006
Fifth Amendment: June 2011
Sixth Amendment: November 2013

Seventh Amendment: November 2014
Eight Amendment: February 2017
Ninth Amendment: September 2019
Tenth Amendment: August 2020
Eleventh Amendment: August 2022
Twelfth Amendment: August 2023

Appendix 1 - Investment arrangements

Scheme Strategic Allocation

The Trustees invest the assets of the Scheme in a mixture of assets (on a pooled basis) with seven managers within the strategic allocation:

Strategic benchmark allocation (as at 30 June 2023)

Manager	Mandate	% of Scheme assets
Insight Investment	Buy and Maintain Corporate Bonds/LDI (bespoke pooled)	40.0
Insight Investment	Liquid Asset Backed Securities (ABS) Fund	15.0
JP Morgan	Diversified Credit	10.0
BlackRock Investment Management	Diversified Growth	10.0
Partners Group	Direct Lending	12.5
IFM Investors	Infrastructure Equity	5.0
BlackRock Investment Management	Long Lease Property	7.5
Total	**-**	**100.0**

Investment manager arrangements

Diversified Growth Funds

The Scheme has appointed BlackRock to manage a diversified growth mandate. This fund targets an absolute return relative to cash rather than a market related index.

Fund	Target
BlackRock DGF	SONIA +3% p.a. (net)

The object of the BlackRock DGF is to seek capital growth. The Fund will seek to achieve its investment objective by investing primarily in a diversified portfolio of equities, bonds, alternatives and cash, with a low tolerance for capital loss. The target return is SONIA +3% p.a. (net of fees) over 3 years. Asset allocation changes may be made through the use of derivatives as well as through the purchase and sale of physical assets.

Absolute Return/Illiquid Credit

JP Morgan

The Scheme has appointed JP Morgan to manage a diversified credit mandate. The JP Morgan Unconstrained Bond Fund targets an absolute return relative to cash as opposed to a market related index.

Fund	Target
JP Morgan Unconstrained Bond Fund	SONIA + 2.6% p.a. (net)

The Unconstrained Bond Fund aims to maximise returns by using an approach that uses a combination of credit, rates and other macro views. The team's use of risk budgeting and risk management enable the Fund to manage volatility to various economic exposures in an effort to reduce downside risk. The Fund aims to utilise the expertise of locally based sector specialists, research analysts, traders and management teams to operate a bottom up security selection.

Partners Group

The Scheme has appointed Partners Group to manage a direct lending mandate across three vintages (2016, 2018 & 2020). The Partners Market Credit Strategies Funds target an absolute return relative to cash as opposed to a market related index.

Fund	Target
Partners Market Credit Strategies Fund (2016)	SONIA + 4% p.a. (net)
Partners Market Credit Strategies Fund (2018)	SONIA + 4% p.a. (net)
Partners Market Credit Strategies Fund (2020)	SONIA + 4% p.a. (net)

Partners Group invest in privately originated loans to medium sized businesses in both the US and Europe. The nature of the loan deals ensures the Fund is relatively illiquid, with the allocation having an investment horizon of 5 to 7 years.

Buy and Maintain Credit and Liability Driven Investment

Insight Investment

The Scheme invests in two Buy and Maintain funds and a bespoke pooled Liability Driven Investment ("LDI") fund with Insight.

The Buy and Maintain Corporate Bond Funds are intended to provide cashflow matching over the medium term as well as to provide liability hedging characteristics with respect to changes in interest rates. Investment in the bespoke pooled LDI fund is intended to provide exposure to assets which move approximately in line with the liabilities with respect to changes in interest rates and inflation. The allocation is managed on a passive basis, whereby the objective is to match, rather than exceed the performance of the nominated liability-based benchmark.

Property

The Scheme invests has appointed BlackRock to manage a long lease property fund. This fund targets an absolute return relative to inflation rather than a market related index.

Fund	Target
BlackRock UK Long Lease Property Fund	RPI + 2.5% p.a. (net)*

*This is not an explicit Fund target but it has been deemed an appropriate benchmark for the Scheme to measure performance, given the Fund's investment objective and strategy.

Infrastructure Equity

The Scheme has appointed IFM to manage an infrastructure equity mandate. This fund targets an absolute return, rather than try to outperform a market related index.

Fund	Target
IFM Global Infrastructure Fund	10% IRR (net)

The Fund will typically invest in large scale public or private projects that are essential for economic activity (i.e. energy, utilities, transport projects) or provide societal benefits (hospitals, prisons, schools) and deals can be structured to deliver long term contractual income and an element of inflation protection.

Appendix 2 – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below. The Trustees consider these factors will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level where no additional contributions are required from the Sponsor i.e. self-sufficiency.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	• The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	• The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	• The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	• The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest	• To hedge 70% (on a flat gilts basis) of the total liabilities movements caused by changes to interest and inflation rates.

	rates and inflation expectations.	
Liquidity	• Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	• To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.
Market	• Experiencing losses due to factors that affect the overall performance of the financial markets.	• To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	• Default on payments due as part of a financial security contract.	• To diversify this risk by investing in a range of credit markets across different geographies and sectors. • To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	• See Appendix 3	• See Appendix 3.
Currency	• The potential for adverse currency movements to have an impact on the Scheme's investments.	• Hedge all currency risk on all assets that deliver a return through contractual income.
Non-financial	• The views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme in the selection, retention and realisation of investments.	• Non-financial matters are not taken into account in the selection, retention or realisation of investments unless specifically requested as part of the evaluation criteria when selecting managers. However, the Trustees may take specific non-financial matters into consideration if they represent the view of a majority of Scheme members.

Appendix 3 – Environmental, Social and Governance Considerations

The Trustees' investment of Scheme assets through pooled funds has the practical result that the Trustees cannot themselves directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustees do take into account ESG factors (including climate change risks) in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

- Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as part of the manager selection process as well as through other regular reporting channels.
- Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- Realisation of investments: The Trustees will take ESG considerations into account regarding decisions on realisation of investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by their investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.
- On an annual basis, the Trustees assess the voting and engagement activity of their assets managers. The results of this analysis feeds into the Trustees' investment decision making.

Stewardship

The Trustees’ policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees’ behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers and/or other relevant persons about relevant matters (including business performance, the Scheme’s stewardships priorities, strategy, capital structure, management of conflicts of interest, ESG and corporate governance matters), through the Scheme's investment consultant at least annually.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will share any agreed stewardship priorities to ensure alignment in voting and engagement activity. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will, through the Scheme's investment consultant, engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council’s UK Stewardship Code.

The Trustees are in the process of developing stewardship priorities as part of an ESG beliefs review. Once these priorities are agreed, they will be shared with the investment managers, via their investment adviser, going forward.

Appendix 4 – Investment Policy Considerations

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective. • The Scheme's mandates with Partners Group, IFM & Insight are subject to a performance on performance above a specified hurdle rate of return.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees policies.	• The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

The duration of the Scheme's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. ○ For closed ended funds or funds with a lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees objectives and Scheme's liquidity requirements. ○ For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
Engagement Policy – How the Trustees will engage with investment managers, direct assets and others about "relevant matters"	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. • The Trustees, via their investment advisers, will engage with managers about "relevant matters" at least annually. • Example stewardship activities that the Trustees have considered are listed below. ○ Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities. ○ Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustees' investment decision making. ○ Collaborative investor initiatives – the Trustees will consider joining/supporting collaborative investor initiatives.

Appendix 5 - Collateral management policy

At the time of writing, the Trustees are targeting a level of collateral sufficient to withstand a yield rise of:

- 400bps held in Tier 1 with the LDI manager

The Trustees will review this no less frequently than annually, or as soon as possible in the event of significant market movements.

The Trustees also adopt a framework for maintaining sufficient collateral levels.

Trigger	Action	Responsibility
LDI fund issues capital call	Assets sold from below collateral waterfall to meet capital call	LDI manager / Trustees
When collateral falls below 300bps	Assets sold from below collateral waterfall to restore buffer to above 300bps (agreed with the LDI manager)	LDI manager responsible for monitoring trigger, Trustees responsible for implementation (as soon as possible with timescales agreed with LDI manager)

The latest collateral waterfall is set out below. Assets held within the immediate collateral framework (Tier 2) with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustees.

Manager	Asset Class	Dealing frequency
LDI manager	**Asset Backed Securities**	**Daily frequency**
Non-LDI manager	Diversified Credit	Daily frequency
Non-LDI manager	Diversified Growth	Daily frequency