

# CWU 2000 Pension Scheme

## Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated September 2020 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 January 2022 to 31 December 2022.

### Investment objectives of the Scheme

The objectives of the Scheme are set out on page 3 of the SIP and are summarised below.

#### Funding Objective

The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

#### Investment Objectives

The Trustees' high level objectives with regard to investing the Scheme assets are to:

- achieve a return which is sufficient, over the longer term, to meet the Funding Objective.
- adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

### Performance Objective

The Investment Managers have each been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

### Stewardship policy

The Trustees' stewardship policy, as set out in the 2020 SIP is as follows.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustees expect its investment managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of its investment managers.

### Review of the SIP

The Trustees did not review the SIP during the year, although it has been updated following the 2022 scheme year end.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year.

### **Investment managers and funds in use**

The investment funds used at the end of the scheme year are set out below:

<b>Manager</b>	<b>Fund</b>
Bank of New York Mellon	Real Return Fund
Cohen & Steers	Diversified Real Assets Fund
Abrdn	Global Private Markets Fund
Abrdn	Liability Aware Absolute Return III Real Profile Fund
Abrdn	Liability Aware Equity-Linked Real Profile Fund
Abrdn	Liability Aware Real Profile Fund

### **Investment Governance**

The Trustee board is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in March 2023.

In addition, the Trustees regularly review their advisers (including Broadstone as their investment consultant) on an annual basis. The last review was undertaken in September 2022.

The investment arrangements of the Scheme are reviewed by the Trustees on a quarterly basis, with the assistance of Broadstone.

## Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
<b>Financially and Non-Financially Material Considerations</b>	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect its investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.	No deviation from this policy over the year to 31 December 2022 (see below)
<b>Voting Rights and Engagement</b>	The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustees expect its investment managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees assess the stewardship and engagement activity of its investment managers.	No deviation from this policy over the year to 31 December 2022 (see below)

### Financially and non-financially material considerations

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the investment managers and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers given they are investing in pooled funds.

The Trustees invest across a range of asset classes and styles. The Trustees expect the investment manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

## Voting rights and engagement activities

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

The Trustees have employed Broadstone to assist them in monitoring the voting and engagement activity of their investment managers. The Trustees concluded that the voting and engagement activity of their investment managers is in line with the Trustees' policy on voting and engagement.

Within the current investment arrangements, holdings in the BNY Mellon diversified growth fund and the Cohen & Steers Diversified Real Assets Fund contain equity holdings, and therefore have voting rights attached to these underlying equities.

Both investment managers use the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third party proxy voters used are confirmed in the table below.

The Trustees have delegated engagement activities to their investment managers, and each investment manager reports to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by the investment managers on behalf of the Trustees (where the investment owns equities) is provided in the table below from based on the latest information available from each investment manager.

Manager	Fund	Approx % of Scheme assets	Resolutions voted on	For	Against	Abstained
BNY Mellon	Real Return Fund	29.9%	1270	89.1%	10.9%	0.0%
Cohen & Steers	Diversified Real Assets Fund	8.5%	2447	93.3%	6.7%	0.0%

All the Scheme's assets are invested in pooled funds. Information regarding proxy voting is detailed below:

- BNY Mellon develops its voting policy in-house and uses ISS to cast votes.
- Cohen & Steers develops its voting policy in-house and also uses ISS to cast votes.

The Trustees have requested details of the significant votes made on behalf of the Trustees by the investment managers. In determining significant votes, BNYM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at BNYM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;

## Significant votes

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1	
Company	<b>Alphabet Inc.</b>
Date	1 June 2022
% of portfolio invested in firm	1.0
Resolution	Political Lobbying Disclosure, Report on Climate Change, Community -Environment Impact, Racial Equity and/or Civil Rights Audit, Approve Recapitalization Plan for all Stock to Have One-vote per Share, Human Rights Risk Assessment, Miscellaneous Proposal - Social, Human Rights Risk Assessment.
Why significant	The company was subject to a high number of shareholder proposals surrounding both governance and social aspects where the company is well regarded by investors as requiring improvements.
How voted	<b>AGAINST</b> management and <b>FOR</b> the shareholder proposals
Manager Comments	Given that a majority of the voting rights are controlled by the company's executives, the vote results for many of the resolutions show a majority of the company's minority shareholders retain fundamental concerns. Near 20% votes in favour of all shareholder proposals is a clear indication as to where the company is expected to make improvements to allay such concerns.
Vote outcome	18% FOR Political Lobbying Disclosure, 17.9% FOR Report on Climate Change, 21.5% FOR Community -Environment Impact, 21.2% FOR Racial Equity and/or Civil Rights Audit, 31.6% FOR Approve Recapitalization Plan for all Stock to Have One-vote per Share, 16.2% FOR Human Rights Risk Assessment, 18.6% FOR Algorithm disclosure, 21.9% FOR Human Rights Risk Assessment
SIGNIFICANT VOTE 2	
Company	<b>Microsoft Corporation</b>
Date	13 December 2022
% of portfolio invested in firm	1.0
Resolution	Resolution to ratify the company's auditor
Why significant	The company's auditor has served in the capacity for 39 years raising concerns around its independence and objectivity. While the level of opposition to the long-tenured auditor was low, BNY Mellon expects this to increase as investors place more emphasis on audit quality.
How voted	<b>Against</b>
Manager Comments	The vote outcome implies that a few investors share our concern around auditor independence and effectiveness. However, we will continue to exercise our voting right to encourage auditor rotation.
Vote outcome	FOR ratify auditors

### SIGNIFICANT VOTE 3

Company	Name anonymized by Cohen & Steers
Date	5 March 2022
% of portfolio invested in firm	0.23
Resolution	Resolution to approve climate action plan
Why significant	Voted in favour considering the company's notable improvements in strengthening their Scope 1 & 2 targets and expediting their timeline, as well as establishing specific plans to achieve these targets, consistent with industry standards. Although the quantification of Scope 3 emissions is still pending, the company has committed to complete disclosure and establish a target by the end of 2023.
How voted	<b>For</b>
Manager Comments	We voted in accordance with our voting and engagement policies to promote better practices which we believe is important in acquiring greater value for the issuer.
Vote outcome	Approved (For: 84%)

### Engagement activities

The Trustees have also delegated engagement activities to Abrdn, BNYM and Cohen & Steers. The notable engagement activities of the investment managers are provided below:

- **Abrdn** - As a longstanding shareholder in several leading UK housebuilders, Abrdn have been closely monitoring and engaging with companies on their response to fire safety concerns in the aftermath of the tragedy at Grenfell Tower. Based on their research and meetings with management teams, Abrdn wrote to nine investee companies in January 2022 and then again in February, asking them to increase their public disclosure of several data points on their outstanding exposure to these fire safety challenges, and any remediation work underway. The aim of this request was to enhance transparency and comparability across the industry. This engagement also included request for Abrdn's investee companies to join a pledge to remediate fire safety issues in their schemes constructed in the past 30 years.
- **BNY Mellon (Newton)** engaged with Unilever in relation to health in collaboration with the Healthy Markets initiative. The engagement focused on the impact of an activist investor joining the company's board on the company's strategy around ESG and nutrition. The general takeaway was that the investor's presence would not change the strategy, and that nutrition remains a priority and has been elevated within the company's ESG and sustainability strategy.
- **Cohen & Steers** engaged with the boards of many investee companies to discuss executive remuneration, and to promote better practices. Cohen & Steers believe that excessive, complicated, or unearned executive remuneration (when compared with company performance) hinders company growth, and plans to conduct thorough scrutiny of investee companies in order to enhance their compensation frameworks.

The Trustees believe that the most significant votes detailed above are aligned with the Scheme's stewardship priorities as detailed at the start of this document.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from 'A+' to 'E'. The latest UNPRI scores of the investment managers are outlined in the table below.

Manager	UNPRI Score
Abrdn	A+
BNY Mellon	A+
Cohen & Steers	B

The Trustees also consider the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

### Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from Abrdn, BNY Mellon and Cohen & Steers, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

**Signed:**

**Date:**

**On behalf of the Trustees of the CWU 2000 Pension Scheme**