

## Appendix 1: 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 Trustee's Statement of Investment Principles (SIP) dated March 2023 have been implemented.

It also includes the Trustee's 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 Trustee, or if a proxy voter was used, is also included within this Statement. This Statement covers the period 1 January 2023 to 31 December 2023.

### Investment objectives of the Scheme

#### 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 Trustee's high-level objectives with regard to investing the Scheme's 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 Objectives

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

#### Stewardship policy

The Trustee's stewardship policy, as set out in the SIP is as follows.

The Trustee believes 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 Trustee expects 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 Trustee (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of its Investment Managers.

#### Review of the SIP

The Trustee's most recently reviewed the SIP in March 2023. It was updated following a review of the Scheme's investment strategy and to reflect the changes made to the Scheme's Engagement and Voting Rights policy.

The Trustee has a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustee's SIP.

# Appendix 1: Implementation Statement (continued)

## Review of the Investment Strategy

The most recent Investment Strategy Review of the Scheme was carried out in Q4 2022 with the objective of significantly reducing risk in the portfolio and increasing the target hedging levels. The Trustee believes that with the new investment strategy in place, the investment risk arising is consistent with the overall level of return being targeted.

The revised strategy was implemented in March 2023 and the Scheme’s long-term target asset allocation is shown in the table below.

The Trustee will review the asset allocation, and may change those shown in the table below, at least every three years. Similarly, the Trustee will review the choice of the investment managers at least every three years.

## Investment managers and funds in use

In alignment with the Scheme’s investment objectives, the Trustee has put into effect the strategic asset allocation outlined in the table below:

## Investment Governance

| Asset Class                 | Investment Manager | Fund   | Target Asset Allocation |
|-----------------------------|--------------------|--|-------------------------|
| Global Equities             | LGIM               | Future World Global Equity Index Fund (GBP Hedged) | 17.0%                   |
| Private Markets             | Abrdn              | Global Private Markets Fund                        | 8.0%                    |
| Corporate Bonds             | LGIM               | Future World GBP Corporate Bond Index Fund         | 35.0%                   |
| Liability Driven Investment | LGIM               | Matching Core Real Long Fund                       | 40.0%                   |
| <b>Total</b>                |                    |  | <b>100.0%</b>           |

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

The Trustee does 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 Trustee expects to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustee has put in place strategic objectives for Broadstone, as the Trustee’s investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and now the Pensions Regulator. 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. There were no changes to these objectives that were put in place in November 2023. The Trustee is due to formally review these objectives by November 2026 or earlier.

In addition, the Trustee regularly reviews 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 Trustee on a quarterly basis, with the assistance of Broadstone.

# Appendix 1: Implementation Statement (continued)

## 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> | <p>The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect its investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of its investment managers.</p> <p>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.</p> | No deviation from this policy over the year to 31 December 2023 |
| <b>Voting Rights and Engagement</b>                            | <p>The Trustees’ voting and engagement policy is to use their investments to improve the ESG behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members’ best interests.</p> <p>The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.</p>   | No deviation from this policy over the year to 31 December 2023 |

### Financially and non-financially material considerations

The Trustee notes 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 Trustee is satisfied that the funds the Scheme currently invests in 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 Trustee has access to updates on governance and engagement activities by their investment managers, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing an investment manager.

The Trustee acknowledges 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.

## Appendix 1: Implementation Statement (continued)

### Financially and non-financially material considerations (continued)

The Trustee invests across a range of asset classes and styles. The Trustee expects the investment managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

A summary of the Trustee’s views for each of the Scheme’s asset classes is outlined below:

| Asset Class                               | Actively or Passively Managed? | Comments  |
|---|--------------------------------|---|
| <b>Global equities</b>                    | Passive                        | The Trustees acknowledge that the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the Investment Manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.        |
| <b>Private Markets</b>                    | Active                         | The Trustees expect the Investment Manager to take financially material ESG factors into account, given the unconstrained and active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. Given the nature of the asset class, the Trustees also expect its investment manager to engage heavily with the underlying investee companies. |
| <b>Corporate Bonds</b>                    | Passive                        | The Trustees acknowledge that the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect its Investment Manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.       |
| <b>Liability Driven Investments (LDI)</b> | Active                         | The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.   |

### Voting rights and engagement activities

The Trustee currently invests in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence the investment managers. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme’s investments. The Trustee’s 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.

A summary of the votes made by the investment managers during the Scheme year on behalf of the Trustee (where the investment owns equities) is provided in the table below. The analysis is based on the latest information available from LGIM.

| Manager     | Fund   | Resolutions voted on | Total Resolutions Voted: |         |           |
|-------------|--|----------------------|--------------------------|---------|-----------|
|             |  |                      | For                      | Against | Abstained |
| <b>LGIM</b> | Future World Global Equity Index Fund (GBP Hedged) | 52,597               | 80%                      | 19%     | 1%        |

Information regarding proxy voting is detailed below:

- **LGIM** uses ISS’s ‘ProxyExchange’ electronic voting platform for proxy voting services.

# Appendix 1: Implementation Statement (continued)

## Voting rights and engagement activities (continued)

### Significant votes (continued)

The Trustee has requested details of the significant votes made on behalf of the Trustee by the investment manager. In determining significant votes, the investment manager will take 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 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;
- Vote linked to an engagement campaign, in line with Investment Stewardship’s 5-year ESG priority engagement themes.

The Trustee believes the following represents the significant vote undertaken on their behalf over the scheme year:

| SIGNIFICANT VOTE – LGIM         |   |
|---------------------------------|---|
| Company                         | Amazon.com Inc.   |
| Date                            | 24 May 2023   |
| % of portfolio invested in firm | 1.30% of the LGIM Future World Global Equity Index Fund (GBP Hedged)  |
| Resolution                      | Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps  |
| Why significant                 | Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.  |
| How voted                       | <b>VOTED FOR (against management recommendation)</b>  |
| Manager Comments                | <i>A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company’s diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society. LGIM will continue to engage with the company and monitor progress.</i> |
| Vote outcome                    | 29% (fail)  |

The Trustee believes that the most significant vote detailed above aligns with the Scheme’s stewardship priorities detailed at the start of this document.

# Appendix 1: Implementation Statement (continued)

## Engagement activities

The notable engagement activities of the investment managers over the last 12 months is provided below:

- LGIM** engaged with the chair of the board of Rolls Royce to understand institutional barriers to executing necessary structural changes. They also had two subsequent meetings with the CEO of the company, before and after its strategy day in November 2023. As part of their engagement, LGIM wanted to understand how Rolls Royce will govern its relations with major labour stakeholders while undertaking any strategic decisions. They also wanted to communicate to the company the significance of positioning for long-term climate trends while also addressing short-term challenges. LGIM were pleased that the strategic review announced in November 2023 appears well balanced in making suitable drastic structural and cultural changes without foregoing options for the company to remain an active participant in the carbon transition. LGIM aims to regularly engage with the company regarding implementation of the strategy review’s findings and its role in the carbon transition which will occur over the coming decades.
- Abrdn** engaged with JB Hunt Transport Services Inc (JBHT), a logistics services provider, given its relatively high carbon footprint and the fact that it had not committed to setting any science-based carbon reduction targets in accordance with the Science Based Target Initiative. The engagement focused on understanding how JBHT is addressing its climate-related risks, pushing the company to set Science Based Targets, and requesting additional transparency. Abrdn was pleased with the progress that JBHT is making, including the adoption of technologies such as Zero Emission Vehicles and planned purchases of multiple Tesla electric Class 8 trucks as soon as they become available, to reduce their carbon footprint. JBHT is also enhancing transparency in addressing and disclosing information around its climate related risks. As a result of this engagement, Abrdn raised the ESG rating for the company.

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. The investment managers submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2023 UNPRI Assessment Reports, scores are presented as a ‘star’ rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Managers are outlined in the table below:

| Manager | UNPRI Score |
|---------|-------------|
| LGIM    | ★★★★★       |
| Abrdn   | ★★★★        |
| Median  | ★★★         |

The Trustee also considers the investment manager’s policies on stewardship and engagement when selecting and reviewing an investment manager.

## Appendix 1: Implementation Statement (continued)

### Monitoring of Investment Arrangements

In addition to any reviews of the investment managers or approaches, and direct engagement with the investment managers (as detailed above), the Trustee receives performance reports on a quarterly basis from Broadstone to ensure the investment objectives set out in their SIP are being met.

**Signed:**

**Date:** 18/07/22024

**On for and on behalf of Open Trustees Limited independent trustee of the CWU 2000 Pension Scheme**