

## Implementation statement

### **Introduction**

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 2020.

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

### **Investment Objectives of the Scheme**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are as follows:

- To ensure that there are sufficient assets to cover the benefit promises accrued at any particular point in time (as defined by the Scheme's actuarial assumptions), without placing unnecessary financial burden on UNISON, and without resorting to a high risk profile.
- To pay due regard to UNISON's interests in the size and volatility of contribution payments.

### **Policy on ESG, Stewardship and Climate Change**

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Corporate Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' approach for ESG and climate change factors, and the processes followed by the Trustees in relation to voting rights and stewardship (where relevant). The approach was established with help from the investment consultant. The Trustees keep the policies under regular review with the SIP subject to review at least triennially and typically annually.

The investment strategy for the Scheme has been de-risked in recent years to reflect the significantly improved funding position. The Scheme is therefore now largely invested in UK government bonds (index linked gilts) to help match movements in the value of the Scheme's liabilities. The investment strategy means that for a significant proportion of the Scheme's assets there is limited scope for the application of ESG factors.

The following summary covers activities during the year to 31 December 2020 relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement policies were followed and implemented during the year, where relevant.

### **Engagement**

- The Trustees review the performance of the Scheme's invested assets on a quarterly basis. This includes monitoring how each investment manager is delivering against their specific mandates. The assessed ESG capabilities of the investments managers are also monitored, where relevant.
- Both of the investment managers used by the Scheme are signatories of the current UK Stewardship Code and are intending to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1

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January 2020. This list is expected to be announced in the summer of 2021 by the Financial Reporting Council, after reviewing submissions of the required reporting which had a deadline of 31 March 2021.

- Engagement opportunities are limited for the Scheme's investment managers due to the nature of the assets held. For example there are no explicit voting rights as the Scheme invests entirely in fixed income (bonds), as opposed to equity assets.
- The investments managed by Legal & General cover UK government bonds only; specifically index linked gilts. ESG and climate change related considerations are not considered to be relevant for these government bonds, though the Trustees do believe the investment manager's firm-wide processes in relation to ESG to be of a high standard.
- The Scheme's other investment manager, Fidelity, has provided information on their engagement policy and activity over the year, in relation to the UK corporate bond portfolio that they manage for the Scheme. Whilst the corporate bonds do not typically come with voting rights for the companies in which bonds are held, the investment manager has interactions with the companies as an important stakeholder and has cited engagement activity. The Trustees were satisfied with this policy and the examples provided which were made in relation to the portfolio on behalf of the Trustees:
  - Fidelity engaged with 35 entities within the portfolio over the year to 31 December 2020. This included raising concerns with management on issues around environmental, social and corporate governance factors. Fidelity also highlighted examples of collaborative engagements and campaigns, as well as citing occasions where they had divested from a holding (or reduced their exposure) due to unsatisfactory outcomes. There were bondholder resolutions in relation to two of the fund holdings during the year, but these did not relate to environmental, social and corporate governance matters.
- The investment manager gave examples of three themes which drove company engagements over the year:
  - Ensuring that companies were taking measures to consider employee's welfare during the global pandemic.
  - Ensuring that company policies were in place to prevent the damaging effects of climate change; with an aim to translate the ambition of the Paris Agreement into how companies operate.
  - An objective to link ESG performance to executive pay, to hold executive management to account for the deliverability of sustainable business goals.
  - Examples of companies which the investment manager engaged with on these issues include Barclays, BMW and Glencore.

### Conclusion

Whilst the Scheme's investment strategy means that ESG factors and in particular voting rights are less relevant than for other pension schemes that still hold equities, the Trustees are committed to ensuring that the UK corporate bond manager continues to engage with companies where possible.

### Investment Governance Group Principles of Best Practice

The Trustees have agreed explicit mandates, appropriate benchmarks and performance targets with the investment managers and continue to monitor the manager's performance against their benchmarks.

In addition, the Trustees continually review their skills and training needs to ensure effective decision-making and, where appropriate, they take independent advice.