

# The University of Warwick Pension Scheme: Defined Contribution Section

## Implementation Statement (forming part of the Trustee's Report & Accounts)

### Section 1: Introduction

This Implementation Statement has been prepared by UPS Pension Trustee Limited ("the Trustee") and relates to the defined contribution (DC) section ("the DC Section") of The University of Warwick Pension Scheme ("the Scheme"). It covers the Scheme year 1 April 2021 to 31 March 2022 and provides information on:

- The extent to which the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the Scheme year.
- A summary of the voting activity undertaken by the DC Section's pooled fund managers on behalf of the Trustee over the Scheme year, including information regarding the most significant votes.
- A summary of changes (if any) to the Statement of Investment Principles (SIP) over the Scheme year.
- The extent to which, in the opinion of the Trustee, the DC Section of the Scheme's SIP has been followed during the Scheme year.

A copy of this Implementation Statement will be made available on the following website:

<https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups/>

### Delegation of responsibilities

To ensure that decisions on implementing the investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates certain responsibilities to the Investment Sub Committee ("ISC") and, in respect of the DC Section, its bundled pension provider Scottish Widows.

These responsibilities are set out in more detail in the SIP, but are mainly:

- **ISC:** assisting the Trustee with developing an appropriate investment strategy for the DC Section and the ongoing monitoring of the investment strategy as well as the activity and performance of Scottish Widows.
- **Scottish Widows:** the DC Section's Default Option is structured as a 'governed' investment solution which is designed and implemented by Scottish Widows. Scottish Widows is responsible for the appointment and removal of the underlying investment managers used through the Default Option as well as the ongoing relationships with the investment managers.

### Section 2: Trustee's policies on voting and engagement

The Trustee's Statement of Investment Principles (SIP) in place over the Scheme year describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

*"The Trustee delegates the exercise of rights (including voting rights) attached to the DC Section's investments to its investment managers. The Trustee expects Scottish Widows to monitor and report annually on the investment managers' approach to selecting investments, voting and engaging with companies with reference to ESG issues."*

The Trustee has subsequently reviewed and updated its policies on voting and engagement and these are set out in the SIP dated September 2022.

### Section 3: Review of, and changes to, the DC Section of the SIP

As at 1 April 2021, the version of the SIP in place was dated September 2020. There are two parts to the SIP, one covering the defined benefit (DB) section and one covering the DC Section and this reflects the operational differences between the two sections of the Scheme. There were no reviews of, or changes made to, the DC Section of the SIP over the Scheme year.

### Section 4: Adherence to the SIP

In the Trustee's opinion, the SIP has been followed over the Scheme year in the following ways:

- 1. Changes to the DC Default Option were reviewed and agreed.** Over the Scheme year, the ISC revisited Scottish Widows' planned changes to the DC Section Default Option. These changes had initially been reviewed and agreed in 2020, however Scottish Widows pushed back the switch date in order to refine its approach to implementation.

It was concluded that the change to Scottish Widows' approach did not materially impact the decisions made in 2020 and that overall, they would help ensure that the Default Option remained appropriate for members. These changes were completed in May and June 2022 and therefore outside of the period covered by this Statement. Further detail will be included in next year's Statement.

- 2. The range of self-select options was reviewed and changes are being made.** In September 2021 the ISC, supported by the Trustee's professional advisers, carried out a review of the range of self-select investment options provided through the DC Section. This review considered whether the current range of options remained appropriate and whether additional fund options could enhance the range.

The review recommended that two self-select funds be removed from the range, three funds closed to future contributions (both of these changes took place between May and June 2022) and a new fund focused on integrating Environmental, Social and Governance (ESG) factors be introduced. These changes were agreed by the Trustee in September 2021 and the new ESG fund was made available in February 2022. No DC Section assets were invested in this fund over the Scheme year.

- 3. Quarterly monitoring of the investment options did not identify any issues.** The performance of the DC Section's Default Option and wider range of investment funds is reviewed each quarter. As all funds provided through the DC Section are passively managed, these reviews consider whether the range of investment options and their underlying funds have performed in line with their stated benchmarks. Scottish Widows provides quarterly investment performance reporting to support with this review.

In early 2022, following changes to some of the underlying funds held by the Default Option, Scottish Widows took the decision to revise the Default Option benchmarks. This saw a move away from using index-based benchmarks to inflation plus benchmarks (measured using the Consumer Prices Index) which Scottish Widows feel are better aligned with the investment objective of the Default Option. In making these changes, Scottish Widows has advised that the new benchmarks could lead to divergence in performance. There will be periods, such as the current short-term, when the fund is notably behind benchmark and the opposite may apply in periods of rising markets. Therefore, performance should be considered over the longer-term.

Alongside the performance monitoring, consideration is given to any external factors that could materially impact the DC Section's investment funds and in March 2022 the Trustee, supported by its

professional advisers, considered the impact of the conflict between Russia and Ukraine. It was noted that across the DC Section's investment options exposure to investments held in Russia and Ukraine is below 1% and therefore the direct financial impact for members would be marginal.

- 4. Work continues on reviewing the investment managers' policies on responsible investing, stewardship and sustainability.** At a meeting with Scottish Widows on 27 May 2021, the ISC, on behalf of the Trustee, reviewed Scottish Widows first Responsible Investment and Stewardship report. This set out Scottish Widows' Responsible Investment framework and outlined the work Scottish Widows had completed over the year to 31 December 2020 to integrate Responsible Investment practices into its asset management process. Scottish Widows also provided further detail around its Net-Zero commitment, its approach to investee company engagement and the range of exclusions operated through the underlying funds of the Default Option. Scottish Widows confirmed that its focus was on ensuring members benefit from the transition to a lower carbon economy, rather than simply divesting from certain businesses.

As a result of this review, the ISC concluded that the policies of Scottish Widows and the DC Section's pooled fund managers were reasonable and were not out of line with the Trustee's own policies described in the SIP. As such, and following subsequent discussions with the Trustee, no immediate action was taken. It was noted, however, that work would need to continue in this area as the policies and practices of all parties (including the Trustee) continue to develop. As the bundled provider to the DC Section, the Trustee expects Scottish Widows to provide further information and reporting on its ESG policies and practices as well as those of the DC Section's investment managers.

- 5. Non-financial matters were not considered over the Scheme year.** In line with the policies outlined in the SIP, the Trustee did not make any allowance for non-financial matters and did not consider any member views for incorporation into its ESG policy over the Scheme year.
- 6. Communicating ESG and stewardship with DC Section members.** The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in the annual Implementation Statement. This document is a statutory report and will be produced on an annual basis alongside the Scheme's Annual Reports and Accounts.
- 7. The costs and charges applied through the DC Section remain broadly competitive.** The Trustee completes an annual assessment of the charges (Total Expense Ratios) and transaction costs levied by Scottish Widows, which are benchmarked by the Trustee's professional advisers. Such costs are reported to members in the Chairman's Statement on DC governance, available here:

<https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups/>

Based on external advice, the Trustee believes that the charges and transaction costs applied to the DC Section's range of investment options are broadly competitive, taking into account the size of the arrangement and investment strategy of the DC Section.

## Section 5: Voting and engagement

Over the Scheme year, the DC Section was invested exclusively in pooled investment vehicles managed by BlackRock, iShares (by BlackRock) and abrdn on a passive basis relative to a defined index. The voting and engagement entitlements in the individual funds lie with the investment managers as the legal owners of the securities.

The Trustee understands the importance of carrying out periodic reviews of the voting and engagement information of its investment managers to ensure they align with its own policies. The Trustee, together with its

professional advisers, requested this information from Scottish Widows (as the bundled pension provider to the DC Section) for the period 1 April 2021 to 31 March 2022 and this was provided on 26 May 2022.

Having reviewed the above in accordance with their policies, the Trustee is comfortable that the actions of the fund managers are broadly aligned with the DC Section's stewardship policies.

## The role of Scottish Widows

Scottish Widows is the bundled pension provider to the DC Section and is also responsible for the design of the Default Option of the DC Section. Scottish Widows delegates the voting and engagement activity connected with the Default Option to the underlying pooled investment managers, however the Trustee is mindful of the need to consider Scottish Widows' stewardship activity. The ISC will engage at least annually with Scottish Widows to understand how its Responsible investment policies and practices continue to evolve. Relevant information will be reported in future statements.

## Voting activity

The table below provides information, sourced from Scottish Widows, relating to the investment managers voting activity for the pooled investment funds provided through the DC Section over the Scheme year. Please note that where funds are not present in the table, data was either not provided by Scottish Widows or there are no voting rights attached to these assets.

Manager	BlackRock				
Fund name	Aquila Connect UK Equity Index Fund	Aquila Connect World (Ex-UK) Index Fund	ACS Climate Transition World Equity Fund	iShares Emerging Markets Equity Index Fund	ACS US Equity Index Fund
<b>Structure</b>	Pooled	Pooled	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour				
<b>Number of company meetings the manager was eligible to vote at over the year</b>	754	1,972	724	3,380	598
<b>Number of resolutions the manager was eligible to vote on over the year</b>	10,693	24,008	10,148	28,828	7,364
<b>Percentage of resolutions the manager voted on</b>	100.0%	99.8%	99.6%	100.0%	99.7%
<b>Percentage of resolutions the manager abstained from</b>	0.4%	0.5%	0.4%	4.5%	0.0%
<b>Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on</b>	94.7%	92.3%	91.5%	90.3%	95.4%
<b>Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on</b>	5.3%	7.7%	5.8%	9.7%	4.6%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	0.0%	0.3%	0.1%	1.6%	0.0%

Manager	BlackRock			bard	
<b>Fund name</b>	Aquila Connect Pacific Rim Equity Fund	ACS Continental European Equity Fund	ACS Japan Equity Fund	iShares Global Property Securities Equity Index Fund	ASI Global Corporate Bond Fund
<b>Structure</b>	Pooled	Pooled	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour				
<b>Number of company meetings the manager was eligible to vote at over the year</b>	479	421	505	390	15
<b>Number of resolutions the manager was eligible to vote on over the year</b>	3,369	7,213	6,060	3,705	78
<b>Percentage of resolutions the manager voted on</b>	100.0%	99.7%	100.0%	99.8%	3.8%
<b>Percentage of resolutions the manager abstained from</b>	0.1%	1.4%	0.0%	0.2%	0.0%
<b>Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on</b>	88.4%	85.5%	97.4%	94.8%	100.0%
<b>Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on</b>	11.8%	14.5%	2.6%	5.2%	0.0%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	0.5%	0.0%	0.9%	0.1%	0.0%

Notes:

- The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstentions as opposed to not returning a voting form or choosing to nominate a proxy.
- Given the fixed income focus of the ASI Global Corporate Bond Fund Abridged provided limited voting information. As such, the remainder of this section focusses exclusively on BlackRock.

## Proxy voting – BlackRock

BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform its voting decision. BlackRock's analysis is informed by its internally developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors at a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where

BlackRock has engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement its voting intention. In all situations the economic interests of its clients are paramount.

BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year. BlackRock's market-specific voting guidelines are available on their website at <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>

## Significant votes

As with last year, for this year's Statement the Trustee has delegated to the investment manager(s) to define what a "significant vote" is.

In determining significant votes, BlackRock Investment Stewardship prioritises its work around the themes that it believes will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which it invests. BlackRock's year-round engagements with clients, as well as its active participation in market-wide policy debates, help inform these priorities. The themes it has identified are reflected in its Global Principles, market-specific voting guidelines and engagement priorities, which underpin its stewardship activities and form the benchmark against which it looks at the sustainable long-term financial performance of investee companies.

Across the nine BlackRock managed funds outlined above, a total of 32 significant votes were reported (excluding duplication across the underlying funds) and it is not therefore feasible to include detail for each of these votes within this Statement. However, BlackRock periodically publishes "vote bulletins" on what it believes are its significant votes and these are available here: <https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history>. These bulletins provide an overview of each significant vote and include background to the vote as well as BlackRock's rationale for voting 'For' or 'Against'.

The following table provides links to a sample of these voting bulletins for the pooled funds noted above. BlackRock did not provide any significant voting data for the iShares Global Property Securities Equity Index Fund and therefore this is excluded from the table.

These voting bulletins have been selected to ensure there is at least one vote for each fund and to cover the broad spectrum of ESG related topics:

Company name	Date of the vote	Link to summary information	Fund(s)	Key topic(s)
Mitsubishi UFJ Financial Group Inc	29 June 2021	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-mufg-jul-2021.pdf">www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-mufg-jul-2021.pdf</a>	Aquila Connect UK Equity Index Fund Aquila Connect World (Ex-UK) Index Fund ACS Japan Equity Fund	Climate related risks, corporate governance, business strategy
AT&T Inc	30 April 2021	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-att-may-2021.pdf">www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-att-may-2021.pdf</a>	Aquila Connect UK Equity Index Fund Aquila Connect World (Ex-UK) Index Fund ACS Climate Transition World Equity Fund ACS US Equity Index Fund	Executive pay, board quality and effectiveness
Equinor	11 May 2021	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-equinor-may-2021.pdf">www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-equinor-may-2021.pdf</a>	Aquila Connect UK Equity Index Fund Aquila Connect World (Ex-UK) Index Fund	Climate risk

Company name	Date of the vote	Link to summary information	Fund(s)	Key topic(s)
		<a href="#">vote-bulletin-equinor-may-2021.pdf</a>	ACS Climate Transition World Equity Fund ACS Continental European Equity Fund	
China Tower Corp Ltd	14 January 2022	<a href="http://www.blackrock.com/corporate/iterature/press-release/blk-vote-bulletin-china-tower-jan-2022.pdf">www.blackrock.com/corporate/iterature/press-release/blk-vote-bulletin-china-tower-jan-2022.pdf</a>	Aquila Connect UK Equity Index Fund iShares Emerging Markets Equity Index Fund	Board quality and effectiveness; diversity, equity and inclusion
Origin Energy Limited	20 October 2021	<a href="http://www.blackrock.com/corporate/iterature/press-release/blk-vote-bulletin-origin-energy-oct-2021.pdf">www.blackrock.com/corporate/iterature/press-release/blk-vote-bulletin-origin-energy-oct-2021.pdf</a>	Aquila Connect UK Equity Index Fund Aquila Connect Pacific Rim Equity Fund	Climate and natural capital
Dow Inc	15 April 2021	<a href="http://www.blackrock.com/corporate/iterature/press-release/blk-vote-bulletin-dow-apr-2021.pdf">www.blackrock.com/corporate/iterature/press-release/blk-vote-bulletin-dow-apr-2021.pdf</a>	Aquila Connect UK Equity Index Fund Aquila Connect World (Ex-UK) Index Fund ACS US Equity Index Fund	Climate Risk

## Fund level engagement

The table provides details of the engagement activity for the DC Section's pooled funds over the Scheme year. Please note that where funds are not present in the table, data was not provided by Scottish Widows.

Manager	BlackRock					
Fund name	Aquila Connect UK Equity Index Fund	Aquila Connect World (Ex-UK) Index Fund	ACS Climate Transition World Equity Fund	iShares Emerging Markets Equity Index Fund	ACS US Equity Index Fund	Aquila Connect Pacific Rim Equity Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Total number of company engagements undertaken on behalf of the holdings in this fund in the year</b>	2,907	1,454	801	470	570	206
<b>Total number of individual companies engaged</b>	1,828	875	405	301	351	130

Manager	BlackRock			
Fund name	ACS Continental European Equity Fund	ACS Japan Equity Fund	iShares Global Property Securities Equity Index Fund	iShares Corporate Bond Index Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes
<b>Total number of company engagements undertaken on behalf of the holdings in this fund in the year</b>	400	280	110	273
<b>Total number of individual companies engaged</b>	214	177	76	102

## Number of engagements by topic undertaken with holdings in the funds

The following table provides data on the number of engagements undertaken by BlackRock which it has segregated by engagement theme. 'E' refers to environmental issues, 'S' refers to Social issues and 'G' refers to governance issues. As above, where funds are not present in the table, we did not receive data from Scottish Widows.

Topic	Aquila Connect UK Equity Index Fund	Aquila Connect World (Ex-UK) Index Fund	ACS Climate Transition World Equity Fund	iShares Emerging Markets Equity Index Fund
Number of Engagements				
E- Climate Risk Management	1,446	751	395	294
E- Environmental Impact Management	626	309	163	176
E- Operational Sustainability	1,053	531	282	234
S- Human Capital Management	840	493	249	121
S- Social Risks and Opportunities	550	268	165	142
G- Board Composition & Effectiveness	1,415	668	317	263
G- Business Oversight/Risk Management	766	364	183	227
G- Corporate Strategy	1,166	580	268	276
G- Executive Management	438	178	110	145
G- Governance Structure	742	402	137	190
G- Remuneration	1,061	528	306	119



Topic	ACS US Equity Index Fund	Aquila Connect Pacific Rim Equity Fund	ACS Continental European Equity Fund	ACS Japan Equity Fund
<b>Number of Engagements</b>				
E- Climate Risk Management	331	128	146	150
E- Environmental Impact Management	184	92	21	19
E- Operational Sustainability	271	130	126	12
S- Human Capital Management	241	119	44	95
S- Social Risks and Opportunities	122	78	42	31
G- Board Composition & Effectiveness	234	136	188	121
G- Business Oversight/Risk Management	168	111	46	46
G- Corporate Strategy	154	151	98	191
G- Executive Management	38	86	32	34
G- Governance Structure	87	126	46	155
G- Remuneration	221	94	197	18

Topic	iShares Global Property Securities Equity Index Fund	iShares Corporate Bond Index Fund
<b>Number of Engagements</b>		
E- Climate Risk Management	42	123
E- Environmental Impact Management	25	38
E- Operational Sustainability	25	89
S- Human Capital Management	18	63
S- Social Risks and Opportunities	9	58
G- Board Composition & Effectiveness	48	91
G- Business Oversight/Risk Management	17	57
G- Corporate Strategy	61	85
G- Executive Management	13	53
G- Governance Structure	33	26
G- Remuneration	40	113