

# **United Wire (2002) Pension Scheme Implementation Statement for the year ending 31 March 2022**

## **Introduction**

This implementation statement has been prepared by the Trustees of the United Wire (2002) Pension Scheme (the Scheme). The statement:

- sets out how, and the extent to which, the policies set out in the Statement of Investment Principles (the SIP) have been followed during the year;
- describes any review of the SIP, including an explanation of any changes made; and
- describes the voting behaviour by, or on behalf of, the Trustees over the same period.

## **Trustees' overall assessment**

In the opinion of the Trustees, the policies as set out in the SIP have been followed during the year ending 31 March 2022.

## **Review of the SIP**

The Trustees' policies have been developed over time by the Trustees in conjunction with their investment consultant and are reviewed and updated periodically and at least every three years.

The SIP was not reviewed during the Scheme year. The current SIP is dated July 2020.

## **Investment strategy**

The Scheme provides members with a range of funds, accessed through a platform arrangement, in which to invest together with some lifestyle strategies from which to make their investment choices. These aim to allow members to achieve the following:

- maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement;
- protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs; and
- tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.

The Trustees also provide a default strategy to provide a balanced investment strategy for members who do not make an active investment choice. The current default investment strategy was implemented in November 2017. A review of the default strategy was considered in January 2022, however no action has been taken due to an ongoing review of pension arrangements by the Sponsor.

## **Policies in relation to the kinds of investments to be held, the balance between various kinds of investments and the realisation of investments**

The Trustees have given full regard to their investment powers as set out in the Trust Deed and Rules and have considered the attributes of the various asset classes when deciding the kinds

of investments to be held. The Scheme invests in pooled funds to manage costs, diversify investments and improve liquidity.

The investment managers maintain a diversified portfolio of stocks or bonds within each of the funds offered under the Scheme (both within the default and self-select options). In addition, the design of the default strategy provides further diversification through the use of multiple funds throughout a member's working lifetime.

As part of the review of the investment strategy and the appointment of the investment managers the Trustees discussed the degree of diversification within the strategy.

Under normal market conditions the Trustees expect to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress. Dealing spreads and liquidity are monitored periodically by the investment consultant, particularly during periods of heightened volatility such as during the recent COVID-19 pandemic.

Property funds and illiquid assets, such as private equity, have been excluded from the current defined contribution investment strategy to help ensure the Scheme is able to meet potential liquidity demands.

### **Policy in relation to the expected return on investments**

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Scheme's membership and having taken into account the risk considerations set out in the SIP.

### **Policy in relation to risks**

The Trustees have considered risk from a number of perspectives. These are the risk that:

- the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
- investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
- investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit,
- the default option is not suitable for members who invest in it, and
- fees and transaction costs reduce the return achieved by members by an inappropriate extent.

The investment strategy for the default option has been chosen with the aim of reducing these risks.

The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.

The Trustees monitor the fees and transaction costs risks through cost disclosure documents provided by the investment consultant.

### **Policies in relation to their investment manager arrangements**

The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, set by the investment manager, for their services. The Trustees have very

limited to no influence over the objectives of these funds or the fees they charge (although fee discounts can be negotiated in certain circumstances).

The Trustees, in conjunction with their investment consultant, have introduced a process to obtain and review the investment holding turnover and the associated costs incurred on the pooled funds used by the Scheme on an annual basis.

Trading costs are incurred in respect of member switches (including within the lifestyle strategy), and wider (Trustee-led) asset transfer work. The Trustees receive information on the expected costs of Trustee-led exercises as and when they occur, and the exercise is only undertaken if the expected benefits outweigh the expected costs. There was no Trustee-led switching exercise during the year.

The investment managers have invested the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. In return the Trustees have paid their investment managers a fee which is a fixed percentage of assets under management.

### **Investment manager monitoring and changes**

The Trustees receive an annual update from the platform provider which details the performance of the pooled funds made available to members. There have been no changes to the Scheme's existing investment manager arrangements during the year.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

### **Stewardship of investments**

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled funds to use in order to meet specific policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments (including environmental, social and governance (ESG) factors, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

### **Stewardship - monitoring and engagement**

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees also delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer to peer engagement in investee companies.

### Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix. These policies are publicly available on each investment manager's websites.

The latest available information provided by the investment managers (for mandates that contain public equities) is as follows:

Engagement	BlackRock Aquila Global Equity Index (60:40)	BlackRock Aquila UK Equity Index	BlackRock Aquila Consensus	abrdn Global Absolute Return Strategies <sup>1</sup>
Period	01/04/2021-31/03/2022	01/04/2021-31/03/2022	01/04/2021-31/03/2022	01/04/2021-31/03/2022
Number of companies engaged with over the year	1,877	1,829	1,891	N/A
Number of engagements over the year	2,967	2,908	2,982	N/A
Top two engagement topics	Climate Risk Management Board Composition & Effectiveness			N/A
Most significant company engagement over the year	EXXON MOBIL CORP <sup>2</sup>			N/A

#### Notes

1. Due to the nature of the Global Absolute Return Strategies Fund, the portfolio does not often include direct investment in individual companies and therefore do not engage directly with them.
2. This is the company BlackRock had the most engagement counts with for all affected funds.

### Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment managers publish online the overall voting records of the firm on a regular basis.

All investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management and believe this to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers (for mandates that contain public equities) is as follows:

Voting behaviour	BlackRock Aquila Global Equity Index (60:40)	BlackRock Aquila UK Equity Index	BlackRock Aquila Consensus	abrdn Global Absolute Return Strategies
Period	01/04/2021-31/03/2022	01/04/2021-31/03/2022	01/04/2021-31/03/2022	01/04/2021-31/03/2022
Number of meetings eligible to vote at	2,995	1,112	5,576	114
Number of resolutions eligible to vote on	36,686	14,860	59,192	1,420
Proportion of votes cast	99%	99%	99%	99.9%
Proportion of votes for management	92%	93%	91%	84.1%
Proportion of votes against management	7%	6%	8%	15.7%
Proportion of resolutions abstained from voting on	1%	1%	1%	0.2%

**Notes**

1. *The data provided from abrdn is specific to the Global Absolute Return Strategies Fund. It contains voting at each company that was held regardless of whether the company was an individual company bought or bought as part of a 'basket' of companies into the fund.*

**Trustees' engagement**

The Trustees have undertaken a review of each investment manager's engagement policy including their policies in relation to financially material considerations.

The Trustees have reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

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The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

## Appendix

Links to the Engagement Policies for each of the investment managers can be found here:

Investment manager	Engagement Policy
BlackRock Investment Management	<a href="https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf">https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf</a>
Aberdeen Standard Investments	<a href="https://www.abrdn.com/docs?editionId=50636955-103f-47cb-86e2-036aec4d30d4">https://www.abrdn.com/docs?editionId=50636955-103f-47cb-86e2-036aec4d30d4</a>
Royal London Asset Management	<a href="https://www.royallondon.com/globalassets/docs/shared/investment/pdf5pd0102-our-approach-to-stewardship-and-engagement.pdf">https://www.royallondon.com/globalassets/docs/shared/investment/pdf5pd0102-our-approach-to-stewardship-and-engagement.pdf</a>

Information on the most significant votes for each of the funds containing direct investment into equities is shown below.

<b>BlackRock Aquila Global Equity Index (60:40)</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Johnson & Johnson	Rio Tinto Limited	BP Plc
Date of Vote	22/04/2021	06/05/2021	12/05/2021
Summary of the resolution	Adopt Policy on Bonus Banking	Accept Financial Statements and Statutory Reports	Accept Financial Statements and Statutory Reports
How the fund manager voted	Against	For	For
Rationale for the voting decision	Executive compensation matters should be left to the board's compensation committee, which can be held accountable for its decisions through the election of directors.	-	-
Outcome of the vote	Fail	Pass	Pass

Criteria on which the vote is assessed to be “most significant”      Size of the holding in the fund.

<b>BlackRock Aquila UK Equity Index</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Berkshire Hathaway Inc.	General Electric Company	BP Plc
Date of Vote	01/05/2021	04/05/2021	12/05/2021
Summary of the resolution	Elect Director Walter Scott, Jr.	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Shareholder Resolution on Climate Change Targets
How the fund manager voted	Withhold	Against	For
Rationale for the voting decision	The Company does not meet our governance expectations, and we believe the board would be more effective with a strong Lead Independent Director who has appropriate responsibilities and oversight.	Pay is not aligned with performance and peers.	We recognize the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.
Outcome of the vote	Pass	Fail	Fail

Criteria on which the vote is assessed to be “most significant”      Size of the holding in the fund.

<b>BlackRock Aquila Consensus</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Johnson & Johnson	Rio Tinto Limited	BP Plc



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Date of Vote	22/04/2021	06/05/2021	12/05/2021
Summary of the resolution	Adopt Policy on Bonus Banking	Approve Climate-Related Lobbying	Approve Shareholder Resolution on Climate Change Targets
How the fund manager voted	Against	For	For
Rationale for the voting decision	Executive compensation matters should be left to the board's compensation committee, which can be held accountable for its decisions through the election of directors.	We believe it is in the best interests of shareholders to have access to greater disclosure on this issue.	We recognize the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.
Outcome of the vote	Fail	Pass	Fail
Criteria on which the vote is assessed to be "most significant"	Size of the holding in the fund.		