

# The University of Warwick Pension Scheme: Defined Contribution Section

## Implementation Statement

### 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 2020 to 31 March 2021 and provides information on:

- Any reviews of the Scheme’s Statement of Investment Principles (“the SIP”) undertaken by the Trustee and any changes made to the DC Section of the SIP over the Scheme year as a result of such reviews.
- The extent to which, in the opinion of the Trustee, the DC Section of the Scheme’s SIP has been followed during the year.
- A summary of the voting and engagement activity undertaken by the DC Section’s pooled fund managers over 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: Review of, and changes to, the DC Section of the SIP

As at 1 April 2020, the version of the SIP in place was dated September 2019. 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.

The DC Section of the SIP was reviewed once during the Scheme year and a revised version was agreed by the Trustee in September 2020. The revisions included:

- The Trustee’s policies in relation to stewardship, including how it monitors investee companies and the management of conflicts of interest.

- The Trustee's arrangements with its asset managers, including how the Trustee incentivises the asset managers to align their investment decisions with the Trustee's investment policies and how the Trustee evaluates the performance of the asset managers

### Section 3: Adherence to the SIP

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

1. **The DC Section continues to offer a suitable Default Option for members.** The ISC, supported by the Trustee's professional advisers, completed a formal review of the Default Option of the DC Section in May 2020. This considered the membership profile of the DC Section and their potential needs and included an assessment of future planned changes being made by Scottish Widows to the Default Option. These changes commenced in the fourth quarter of 2020 and are due to be formally completed in the second half of 2021.

The review concluded that the Default Option remained suitable to meet the needs of the average DC Section member and that overall Scottish Widows' planned changes were positive. This assessment was discussed and agreed at the June 2020 Trustee meeting.

2. **An appropriate range of self-select options is made available.** As part of the May 2020 review noted above, the ISC also considered the wider range 'lifestyle' and self-select investment options provided through the DC Section. These options are designed to provide flexibility for members and allow them to tailor their investment choices to meet their needs. The review concluded that the range remained appropriate, but that consideration should be given to a future review of the self-select investment options once the changes to the Default Option were completed.
3. **Quarterly monitoring of the investment options did not identify any issues.** The ISC, supported by the Trustee's professional advisers, monitor the performance of the DC Section's Default Option and wider range of investment funds each quarter. Any performance issues identified are raised with the Trustee at the quarterly Trustee meetings.

As all funds provided through the DC Section are passively managed, these reviews consider whether the range of investment options provided have performed in line with their stated benchmarks. Scottish Widows provides quarterly investment performance reporting to support the ISC and Trustee with this review. Over the Scheme year there were no instances where the performance of the DC Section's investment funds deviated significantly from the performance of their stated benchmarks.

4. **Work began on reviewing the investment managers' policies on responsible investing, stewardship and sustainability.** The ISC, on behalf of the Trustee, completed an initial assessment of the Environmental, Social and Governance (ESG) policies of Scottish Widows and the DC Section's pooled fund managers at the May 2019 and September 2019 ISC meetings. As a result of this assessment, 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 further work would be needed 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.

Scottish Widows' first report was published in April 2021 and was presented to the ISC at the May 2021 meeting. As this falls outside of the reporting period covered by this Statement, further information will be provided in next year's Statement.

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 receive or seek 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, with this document representing the first of this kind. 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 4: Voting and engagement

Over the Scheme year, the DC Section was invested in pooled investment vehicles managed by BlackRock, Abrdn and Columbia Threadneedle. The voting and engagement entitlements in the funds lie with the managers.

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 such information from Scottish Widows (as the bundled pension provider to the DC Section) for the period 1 April 2020 to 31 March 2021 and this was provided on 1 July 2021.

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. Whilst Scottish Widows delegates the voting and engagement activity connected with the Default Option to BlackRock as the underlying pooled investment manager, the Trustee is mindful of the need to consider Scottish Widows' stewardship activity.

Scottish Widows provides an annual report which gives details of its stewardship activity and the first report was published in April 2021. A high level review of this report was completed by the ISC in May 2021 and this therefore falls outside of the period covered by this Statement. The Trustee will review this report annually to ensure Scottish Widows' activity is aligned with its own policies and report relevant information in future Statements.

## Voting activity

The table below provides information, sourced from Scottish Widows, relating to BlackRock's 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 not provided by Scottish Widows.

Manager	BlackRock					
<b>Fund name</b>	Aquila Connect UK Equity Index	Aquila Connect World (Ex-UK) Equity	Aquila Connect Pacific Rim Equity Fund	ACS Continental European Equity Fund	IShares Emerging Markets Equity Index Fund	ACS Climate Transition World Equity Fund
<b>Structure</b>	Pooled	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	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	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>	808	2,203	448	546	2,777	141
<b>Number of resolutions the manager was eligible to vote on over the year</b>	11,044	27,246	3,150	9,326	25,487	1,774
<b>Percentage of resolutions the manager voted on</b>	100%	92.04%	99.62%	76.79%	96.03%	72.83%
<b>Percentage of resolutions the manager abstained from</b>	0.65%	0.34%	0.13%	0.80%	3.98%	0.45%
<b>Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on</b>	94.87%	93.71%	90.12%	87.56%	90.69%	95.59%

Manager	BlackRock					
<b>Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on</b>	5.13%	6.26%	9.88%	12.33%	9.31%	4.41%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy adviser</b>	N/A	N/A	N/A	N/A	N/A	N/A

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.

There are no voting rights attached to the other assets held by the DC Section and therefore there is no voting information shown above for these assets.

## Proxy voting

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA"). The analysts within each team will generally recommend how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required and in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

Whilst BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it primarily uses proxy research firms to synthesise corporate governance information and analysis. Other sources of information it uses include each company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, and the views of its active investors, public information and ESG research. It does not follow any single proxy research firm's voting recommendations and works with proxy research firms to apply its proxy voting guidelines and filter out routine or non-contentious proposals.

## Significant votes

For the first year of implementation statements 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 six funds outlined above, BlackRock reported a total of 30 significant votes** (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. In most cases these have been selected as the vote applies to two or more of the pooled funds noted above, but also to ensure that there is at least one vote per fund:

Company name	Date of the vote	Link to summary information	Fund(s)
Exxon Mobil Corporation	27 May 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2020.pdf</a>	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity ACS Climate Transition World Equity Fund
Santander Consumer USA Holdings Inc.	10 June 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-santander-jul-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-santander-jul-2020.pdf</a>	Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund ACS Climate Transition World Equity Fund
Chevron Corporation	27 May 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf</a>	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity ACS Climate Transition World Equity Fund
Woodside Petroleum Ltd	30 April 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf</a>	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity Aquila Connect Pacific Rim Equity Fund ACS Climate Transition World Equity Fund
Mizuho Financial Group Inc	25 June 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-mizuho-fg-jun-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-mizuho-fg-jun-2020.pdf</a>	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity
Barclays Plc	7 May 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf</a>	Aquila Connect UK Equity Index ACS Climate Transition World Equity Fund
Volkswagen AG	30 September 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volkswagen-oct-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volkswagen-oct-2020.pdf</a>	Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund
Daimler AG	8 July 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-daimler-jul-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-daimler-jul-2020.pdf</a>	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund ACS Climate Transition World Equity Fund
Volvo AB	18 June 2020	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volvo-jun-2020.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volvo-jun-2020.pdf</a>	Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund ACS Climate Transition World Equity Fund
Top Glove Corporation Bhd	6 January 2021	<a href="https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-top-glove-jan-2021.pdf">https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-top-glove-jan-2021.pdf</a>	IShares Emerging Markets Equity Index Fund

## Fund level engagement

The table below 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, we did not receive the data from Scottish Widows.

Manager	BlackRock					
Fund name	Aquila Connect UK Equity Index	Aquila Connect World (Ex-UK) Equity	Aquila Connect Pacific Rim Equity Fund	ACS Continental European Equity Fund	IShares Emerging Markets Equity Index Fund	ACS Climate Transition World 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>	2,845	1,564	170	448	408	939
<b>Total number of individual companies engaged</b>	1,723	875	112	213	285	479

## 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 the data from Scottish Widows.

Topic	Aquila Connect UK Equity Fund	Aquila Connect World (Ex-UK) Equity	Aquila Connect Pacific Rim Equity Fund
<b>Number of Engagements</b>			
E- Climate Risk Management	1293	785	94
E- Environmental Impact Management	670	379	65
E- Operational Sustainability	1223	683	79
S- Human Capital Management	928	564	76
S- Social Risks and Opportunities	656	382	72
G- Board Composition & Effectiveness	1350	721	98
G- Business Oversight/Risk Management	952	536	93
G- Corporate Strategy	1288	717	104
G- Executive Management	438	213	46
G- Governance Structure	728	433	102
G- Remuneration	1029	525	74

Topic	ACS Continental European Equity Fund	IShares Emerging Markets Equity Index Fund	ACS Climate Transition World Equity Fund
<b>Number of Engagements</b>			
E- Climate Risk Management	182	218	474
E- Environmental Impact Management	22	151	235
E- Operational Sustainability	223	223	454
S- Human Capital Management	84	104	375
S- Social Risks and Opportunities	53	108	283
G- Board Composition & Effectiveness	214	205	419
G- Business Oversight/Risk Management	109	178	353
G- Corporate Strategy	139	256	409
G- Executive Management	67	105	154
G- Governance Structure	58	160	201
G- Remuneration	166	104	357