

USDAW Staff Superannuation Fund

Implementation Statement

23 February 2021

Glossary

Aberdeen Standard	Aberdeen Standard Investments
ESG	Environmental, Social and Governance
IFSL	Investment Fund Services Limited
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	USDAW Staff Superannuation Fund
Scheme Year	1 January 2020 to 31 December 2020
Schroders	Schroders Investment Management Limited
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

An investment in equities (shares) brings with it an entitlement to vote at general meetings of the company whose shares are held. Some of the Scheme's assets are invested in equities and the Trustees' SIP includes wording relating to the Trustees' voting and engagement policies.

This Implementation Statement provides an assessment of how, and the extent to which, the voting and engagement policies described in the SIP were followed over the Scheme Year.

In addition, it summarises the voting record of the Scheme's investment managers and provides information on the significant votes made in respect of the Trustees' equity holdings. Information is also provided on the how the Scheme's investment managers make use of the services of proxy voting advisers.

Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- LGIM World Emerging Markets Equity Index Fund
- LGIM World Equity Index Fund
- Schroder Life Intermediated Diversified Growth Fund
- Standard Life Global Absolute Return Strategies Fund
- IFSL Trade Union Unit Trust

Voting and Engagement Policies in the SIP

The Trustees revised the SIP during the Scheme Year with the first document in force over Period 1 and the second in force over Period 2 where:

- Period 1 applied from 1 January 2020 to 22 September 2020; and
- Period 2 applied from 23 September 2020 to 31 December 2020.

Period 1 SIP Wording Relating to Voting and Engagement

The key points in this SIP relating to voting and engagement were:

- The Trustees have delegated exercise of rights (including voting rights) and engagement activities to investment managers.
- The Trustees take the investment managers' policies with respect to voting and engagement into account when selecting and monitoring managers.
- The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within the Trustees' SIP, so far as reasonably practicable.
- The investment managers will provide annual reports on how they have engaged with issuers regarding ESG issues.
- The Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant investment manager's appointment and may consider terminating the arrangement.
- The Trustees have regard for the Investment Managers' positions on the UK Stewardship Code
- Unless there is a strong reason to the contrary, the Trustees will appoint managers who have established a responsible investment policy and process and have a track record of using engagement to manage ESG factors.

Trustees' Assessment of Whether These Policies Were Followed

Over the course of the Scheme Year, the assets were invested in pooled investment vehicles and, consequently, it remained the case that responsibility for corporate governance and ongoing engagement with companies was delegated to the investment managers.

Whilst the Trustees did not directly monitor the governance policies of the Scheme's investment managers during the Scheme Year, a voting review was undertaken, with assistance from the Investment Adviser, in the preparation of this statement. In preparing that review, the Investment Adviser considered annual voting reports provided by the investment managers and the review confirmed that all of the Scheme's investment managers remain signatories to the UK Stewardship Code.

The voting review did not identify any concerns regarding the investment managers' voting records or engagement practices and the Trustees have agreed that a review of this nature will be considered on an annual basis.

Although no new funds were added over the course of Period 1, the Trustees did consider the possibility of introducing two new funds into the portfolio. ESG mitigation was considered by the Trustees as part of this decision making process.

Period 2 SIP Wording Relating to Voting and Engagement

A new SIP was prepared to ensure that the document would comply with new legislation which came into effect on 1 October 2020.

This SIP included the following additional points relating to voting and engagement:

- The Trustees believe that financially material considerations, including ESG factors and the risks related to such factors, can contribute to the identification of investment opportunities and financially material risks and can have a material impact on investment risk and return outcomes.
- The Trustees believe that good stewardship can create and preserve value for companies.
- The Trustees will normally select investment managers who are signatories to the UNPRI and who publish the results of their annual UNPRI assessment.
- The Trustees' policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that they wish to encourage best practice in terms of stewardship.
- The Trustees expect that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice.
- The Trustees also expect that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.
- When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustees recognise that the members might wish the Trustees to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustees' priority is to select investment managers which are best suited to help meet the Trustees' investment objectives. In making this assessment, the Trustees will receive advice from their investment adviser. The Trustees recognise that the investment managers' own policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.
- The Trustees' investment managers and investment advisers will provide annual updates on ESG & Governance issues.
- The Trustees expect the investment managers to invest for the medium to long term and they expect investment managers to engage with issuers of debt or equity with a view to improving performance over this time frame.

Trustees' Assessment of Whether These Policies Were Followed

The Trustees beliefs' regarding the importance of good stewardship remain as stated in the SIP and there has been no change in the Trustees' stance on the way members' views on engagement should be reflected in the Scheme's investment strategy.

During the final quarter of 2020, the Trustees continued their consideration of potential new funds for inclusion in the Scheme's investment portfolio. Two funds were selected and investments will be made during 2021. One of these funds was specifically chosen because of its strong ESG credentials.

All of the investment managers used by the Scheme over the period were signatories to the UNPRI.

As noted earlier, to help prepare this statement, the Trustees undertook a review of each investment manager's voting practices. For the purpose of this review, the Investment Adviser produced a report which built on information provided by the investment managers themselves. The Trustees have agreed that review of this nature will be undertaken on an annual basis.

The Trustees continue to regularly monitor the position of the investment managers with regards to ESG matters.

The Investment Managers' Voting Record

A summary of the investment managers' voting records is below. Aberdeen Standard manage the Stanard Life Global Absolute Return Strategies Fund and are responsible for the management of the IFSL Trade Union Unit Trust Fund, including stewardship activities.

Investment Manager	Aberdeen Standard	LGIM	Schroders
Period	Year to 31 March 2020	Calendar Year 2019	Calendar Year 2019
Number of votes	54,744	50,900	61,156
Split of votes:			
For	85%	83%	87%
Against	12%	17%	13%
Did not vote/abstained	3%	1%	0%

Notes

Split of votes may not sum to 100% due to rounding

These voting statistics are based on each manager's full voting record rather than votes related solely to the funds held by the Scheme.

Use of Proxy Investment Advisers

Investment Manager	Aberdeen Standard	LGIM	Schroders
Who is their proxy voting adviser?	ISS	ISS and IVIS	ISS and IVIS
How is the proxy voting adviser used?	ISS administer votes and provide research but voting is determined by guidelines set by Aberdeen Standard	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.	Proxy advisers provide research and vote execution. Schroders delegate some voting to ISS.

The Investment Managers' Voting Behaviour

The Trustees have reviewed the voting behaviour of the Scheme's investment managers by considering the following:

- broad statistics of their voting records such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management").
- the votes cast in the year to 31 March 2020 on the most contested proposals in eight categories across the UK, the US and Europe.
- Statements made by the investment managers on the subjects of stewardship, corporate governance and voting.

The Trustees have also compared the voting behaviour of the Scheme's investment managers with their peers over the same period.

The key observations from this analysis are set out below.

Voting in Significant Votes

Based on information provided by the Trustees' investment adviser, the Trustees have identified significant votes in eight separate categories. The Trustees consider votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the eight categories based on shares held by the Scheme's investment managers are listed in the Appendix. In addition, the Trustees considered each investment managers' overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

Description of Voting Behaviour

The analysis did not raise concerns about the voting behaviour of any of the investment managers selected by the Trustees. All of the managers continued to exercise voting rights in a way that was consistent with the Trustees' expectations.

Analysis of voting records for Aberdeen Standard, LGIM and Schroders indicates managers which are willing to vote against management across a wide range of subjects. All three seem more willing to vote against management than is the case for other well-known investment managers.

The Trustees also noted that the Scheme's investment managers voted in favour of all the significant shareholder resolutions aimed at tackling environmental and social issues.

..... Date:

Signed on behalf of the Trustees of the USDAW Staff Superannuation Fund

Significant Votes

The table below records how the Scheme's investment managers voted in the most significant votes identified by the Trustees.

	Meeting Date	Proposal	Votes For (%)	Votes Against (%)	LGIM	Schroders	Aberdeen Standard
Audit & Reporting							
UNITED RENTALS INC	08/05/2019	Appoint the Auditors	50	50	For	Not held	Not held
LOCKHEED MARTIN CORPORATION	25/04/2019	Appoint the Auditors	50	50	For	Not held	Not held
ROYAL CARIBBEAN CRUISES LTD	30/05/2019	Appoint the Auditors	34	65	Do Not Vote	Not held	Not held
FERREXPO PLC	07/06/2019	Receive the Annual Report	67	33	Not held	Against	Not held
SOCIETE GENERALE SA	21/05/2019	Approve the Audit Report	71	29	Against	Against	Not held
Shareholder Capital & Rights							
ORANGE S.A	21/05/2019	Allow Board to Use Delegations under Item 20 Above in the Event of a Public Tender Offer	47	53	Against	Not held	Against
TELEPERFORMANCE SE	09/05/2019	Issue Shares for Cash	55	45	Against	Not held	Not held
SAFRAN SA	23/05/2019	of a Public Offer	60	40	Against	Not held	Not held
STMICROELECTRONICS NV	23/05/2019	Issue Shares for Cash	65	34	Against	Not held	Not held
BOUYGUES SA	25/04/2019	Authorise the Board to Increase the Number of Shares Issued in case of Exceptional Demand	33	33	Against	Against	Not held
Pay & Remuneration							
E*TRADE FINANCIAL CORPORATION	09/05/2019	Advisory Vote on Executive Compensation	50	50	Against	Not held	Not held
ADVANCE AUTO PARTS INC	15/05/2019	Advisory Vote on Executive Compensation	50	50	For	Not held	Not held
ATLANTIA SPA	20/04/2019	Approve Remuneration Policy	50	50	Against	Not held	Not held
NETFLIX INC	06/06/2019	Advisory Vote on Executive Compensation	50	50	Against	Against	Against
ARCHER-DANIELS-MIDLAND COMPANY	01/05/2019	Advisory Vote on Executive Compensation	50	50	For	Not held	Not held
Constitution of Company, Board & Advisers							
ATLANTA SPA	20/04/2019	Appoint Directors (Slate 2 Submitted by Institutional Investors (Assogestioni))	50	50	For	Not held	Not held
CITIZENS FINANCIAL GROUP INC	25/04/2019	Elect Terrance J. Lillis	50	50	For	Not held	Not held
AVERY DENNISON CORPORATION	25/04/2019	Elect Anthony K. Anderson	50	50	For	Not held	Not held
REGIONS FINANCIAL CORPORATION	24/04/2019	Elect Eric C. Fast	50	50	For	For	Not held
LOCKHEED MARTIN CORPORATION	25/04/2019	Elect James D. Taiclet, Jr.	50	50	For	Not held	Not held
Merger, Acquisition, Sales & Finance							
ACS (ACTIVIDADES DE CONSTRUCCION Y SERVICIOS	09/05/2019	Issue Convertible Bonds or Warrants	66	33	Against	Not held	Not held
FERROVIAL S.A.	05/04/2019	Approve Total or Partial Sale of Assets of the Services Division of the Ferrovial Group	72	28	Against	Not held	Not held
AMADEUS IT GROUP	18/06/2019	Preemptive Rights up to EUR 5 Billion	87	13	For	Not held	For
DEUTSCHE BOERSE AG	08/05/2019	Issue Bonds/Debt Securities	91	9	For	Not held	Not held
BANCO SANTANDER SA	12/04/2019	Preemptive Rights up to EUR 10 Billion	90	7	For	Not held	For
Other Company Resolutions							
TE CONNECTIVITY LTD	11/03/2020	Adjourn Meeting	69	31	Against	Not held	Not held
UCB SA/NV	25/04/2019	Approve Change-of-Control Clause Re: LTI Plans of the UCB Group	70	30	Against	Against	Not held
BOUYGUES SA	25/04/2019	Authorize Board to Issue Free Warrants with Preemptive Rights During a Public Tender Offer	77	23	Against	Against	Not held
BARRATT DEVELOPMENTS PLC	16/10/2019	Approve Political Donations	83	16	For	Against	For
SEGRO PLC	18/04/2019	Meeting Notification-related Proposal	84	15	For	Not held	Not held
Governance & Other Shareholder Resolutions							
UNITED RENTALS INC	08/05/2019	Shareholder Resolution: Written Consent	50	49	Against	Not held	Not held
THE TRAVELERS COMPANIES INC.	22/05/2019	Shareholder Resolution: Employment Issues	50	49	For	Not held	Not held
DOMINION ENERGY INC	07/05/2019	Approve Shareholder Proposal: Policy to Require an Independent Board Chair	49	49	For	Not held	Not held
EASTMAN CHEMICAL COMPANY	02/05/2019	Shareholder Resolution: Written Consent	49	50	Against	Not held	Not held
PEPSICO INC.	01/05/2019	Shareholder Resolution: Introduce an Independent Chairman Rule	49	49	For	Against	Not held
Environmental & Socially Focused Shareholder Resolutions							
MICROCHIP TECHNOLOGY INCORPORATED	20/08/2019	Shareholder Resolution: Report on Human Rights Risks in Operations and Supply Chain	51	48	For	Not held	Not held
AMPHENOL CORPORATION	22/05/2019	Shareholder Resolution on Recruitment and Forced Labor Report	43	55	For	Not held	Not held
DUKE ENERGY CORPORATION	02/05/2019	Shareholder Resolution: Report on Mitigating Health and Climate Impacts of Coal Use	41	57	For	Not held	Not held
ROSS STORES INC	22/05/2019	Shareholder Resolution on Greenhouse Gas Emission Goals	41	59	For	Not held	Not held
APPLE INC	26/02/2020	Shareholder Resolution: Report on Freedom of Expression and Access to Information Policies	38	56	For	For	For

Note

Where the voting record has not been provided at the fund level, we have based our analysis on the shares held within the Scheme's pooled funds as at 31 March 2020. This means it is possible that that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote.