UK STEWARDSHIP CODE – STATEMENT OF COMMITMENT

UNISON STAFF PENSION SCHEME – NOVEMBER 2017

Approach to Responsible Investment and Stewardship

The Trustees of the Unison Staff Pension Scheme (the "Scheme") believe that Environmental, Social and Corporate Governance ("ESG") risks should be taken into account on an ongoing basis and the consideration of ESG issues is integrated throughout the Scheme's investment strategy, consistent with the Scheme being a long-term responsible investor.

ESG issues can have a material impact on long-term risk and return outcomes and considering these issues is consistent with the fiduciary duty of the Trustees. The Scheme is a long-term investor and is committed to being an active owner. The Trustees believe that effective shareholder engagement is a key aspect of strong corporate governance and managing ESG risks, which in turn will enhance returns. The Trustees support the UK Stewardship Code (the Code) and further detail is provided below on how the Scheme addresses each of the Code's seven underlying principles.

The Trustees have developed the following investment beliefs on ESG issues:

Belief	Action
Environmental, Social and Corporate Governance (ESG) issues can have a material impact on long-term risk and return outcomes. Considering these issues is consistent with the fiduciary duty of the Trustees.	The Trustees actively take into account ESG risks when setting the investment strategy, and incorporate these when selecting investment advisors, investment managers and when implementing and monitoring portfolios.
Accessing long-term streams of returns and long-term themes, rather than focusing on short-term price movements, can add value.	The Trustees are considering the strategic implications of climate change, revisions to their equity portfolio, possible allocations to illiquid assets and also a framework for cashflow management that will allow them to exploit their status as a long term investor.
Active ownership helps the realisation of long-term shareholder value.	The Trustees invest in segregated portfolios where necessary and possible in order to actively engage with companies and exercise voting rights.
Taking a collaborative approach with other investors can help to achieve wider and more effective outcomes.	The Scheme is a signatory to the UN Principles for Responsible Investment (PRI) and collaborates with other investors on its engagement activities.
Taking a sustainable investment view is more likely to create and preserve long-term investment capital.	The Trustees are considering investment in real assets with a sustainable bias. The Trustees expect the managers they employ to take account of long term sustainability issues where appropriate.
It is important to be transparent and accountable to members.	The Trustees report on the Scheme's approach to managing ESG risks and opportunities.

For full details of the Scheme's approach to Social and Responsible Investment (SRI), please see the Scheme's SRI Policy which is available on the Scheme website (Active members only) or on request from the Staff Pensions Unit.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Scheme invests via both segregated and pooled funds. Where assets are held on a segregated basis, the Scheme exercises all votes associated with its equity holdings where practicable. The Scheme's voting policy is consistent with the policy of the Trade Union Share Owners (TUSO) https://www.tuc.org.uk/sites/default/files/tucfiles/TUC_Trade_Union_Voting_and_Engagement_Guidelines_March_2013.pdf. For pooled investments, the Trustees expect the Scheme's underlying investment managers to exercise voting and engagement rights on its behalf. The Trustees expect its investment managers to exercise all votes associated with the Scheme's equity holdings where practicable. The Scheme encourages its underlying investment managers to comply with the UK Stewardship Code and monitors the compliance of its underlying equity managers on an annual basis.

For pooled Scheme investments, the Scheme is subject to the ESG and voting policies of its underlying investment managers. The Trustees consider these policies when appointing a new manager and when monitoring investment managers as well as considering whether each manager's actions and engagement activities have been appropriate and in keeping with the Scheme's policy.

In considering its stewardship activities, the Scheme monitors the activities of its investment managers with regard to the following:

- The exercise of voting rights
- The integration and management of Environmental, Social and Corporate Governance (ESG) issues
- Engagement activities and progress.

The Scheme is a long-term investor and is committed to being an active owner. It wishes to promote a policy of dialogue on responsible investment issues, both directly and through its investment managers, with company management.

For confirmation: The Trustees (directly or through TUSO) have identified the following ESG issues as a focus for engagement:

- International labour standards
- Executive remuneration
- Climate change

The Scheme recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes. The Scheme is a signatory to the UN Principles for Responsible Investment (PRI), which aims to promote best practice on SRI issues on a global basis, as well as through its membership of TUSO, which aims to promote best practice on corporate governance and SRI issues through cooperative action with other trade union investors.

The Scheme regularly reviews its approach to responsible investment and the exercise of its stewardship activities.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Scheme expects its investment managers to have effective policies addressing potential conflicts of interest related to stewardship. This is considered as part of the annual stewardship review.

In respect of potential conflicts of interest within the Scheme, the Trustees have a separate Trustees Conflict of Interest Policy, which can be shared with members of the Scheme upon request. Trustees are required to make declarations of interest prior to each Trustee Board meeting and each sub-Committee meeting.

The Scheme holds a Conflicts of Interest Register. All new declarations are captured in the minutes of the meeting. Potential conflicts, based on declarations, are managed accordingly by the Chair of Trustees and the Scheme Secretary.

Principle 3: Institutional investors should monitor their investee companies.

While the day-to-day responsibility for managing the Scheme's equity holdings is delegated to the Scheme's appointed investment managers, the Scheme recognises that it cannot delegate its stewardship obligations. The Trustees monitor the Scheme's investment managers on a regular and ongoing basis, including with respect to stewardship activities.

As such, the Scheme expects its investment managers to monitor investee companies, intervene where necessary, and report back regularly on activity undertaken. This may be via written reports, phone calls or meetings with the Trustees, the Investment sub-Committee (ISC) or the Scheme's Pensions Manager.

In addition the Trustees receive an annual report from the Scheme's investment consultant on the stewardship credentials of its investment managers as well as quarterly updates related to ESG and stewardship.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Responsibility for day-to-day interaction with companies is delegated to the Scheme's investment managers, including the escalation of engagement activities when necessary.

The Trustees monitor the escalation activities undertaken by the Scheme's investment managers through the regular reporting provided by the Scheme's managers.
On occasion, the Scheme may itself choose to escalate activity; this will typically be through its membership of the PRI, TUSO or via one of the underlying investment managers.

Escalation activities undertaken by TUSO may include writing a letter to the board or additional meetings with company management.

Example: During 2016 the Trustees supported Unite colleagues tackling unacceptable employment practices and poor governance at the retailer giant Sports Direct. The Trustees co-filed a motion to the Sports Direct Annual General Meeting calling for an independent investigation into the company. The Trustees worked with TUSO to lobby fund managers about the appalling way Sports Direct is run and also point out that this mismanagement had resulted in a collapse in its share price.

At the AGM the company opposed the TUSO motion but it resulted in the highest ever vote against the management of a public company on employment issues and within a few days the company was forced to agree to holding an independent enquiry and to change a number of its deplorable employment practices.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

The Scheme seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies.

The Scheme undertakes collective engagement activities through its membership of the PRI and TUSO as well as through initiatives proposed by the Scheme's investment managers or advisors.

Examples: The Trustees co-filed as part of the "Aiming for A" campaign which called on mining giants Anglo American, Glencore and Rio Tinto to be more transparent over climate change risks and opportunities to their businesses.

The Trustees have recently signed up to Share Action's Workforce Disclosure Initiative, a new programme which brings together institutional investors behind a call for comparable workforce reporting by publicly listed companies on their global operations and supply chains.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

The Scheme invests via both segregated and pooled funds. Where assets are held on a segregated basis, the Scheme exercises all votes associated with its equity holdings where practicable. The Scheme's voting policy is consistent with the policy of the Trade Union Share Owners (TUSO) https://www.tuc.org.uk/sites/default/files/tucfiles/TUC_Trade_Union_Voting_and_Engagement_Guidelines_March_2013.pdf. For pooled investments, the Trustees expect the Scheme's underlying investment managers to exercise voting and engagement rights on its behalf. The Trustees expect its investment managers to exercise all votes associated with the Scheme's equity holdings where practicable. The Scheme encourages its investment managers to publicly disclose their voting records.

Generally, the Scheme expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the Trustees expect the managers to take account of local best practice principles.

Where resolutions or issues fall short of the expected standards, the Trustees expect managers will either abstain or vote against, depending on the individual circumstances of the company and the issues presented. The Trustees expect the investment managers to report on their voting activities on a regular basis and the Trustees consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Scheme's policy.

The policy is reviewed at least annually in order to take account of regulatory developments and timely or controversial issues may be discussed at Trustee or ISC meetings.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

The Scheme expects its underlying investment managers to report regularly to the Trustees with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Scheme encourages its investment managers to report publicly on their stewardship activities.

On an annual basis, the Scheme's investment advisor undertakes an independent assessment of the stewardship activities of the Scheme's investment managers.

Reporting and monitoring

The ISC and Trustees receive quarterly reports from each of the Scheme's investment managers, as well as a consolidated, independent quarterly report from the Scheme's investment consultant.

Reporting includes assessment of performance against benchmark, as well as commentary and attribution of returns. The reporting from the investment consultant includes their assessment (by way of a rating) of the investment managers' integration of ESG factors into their investment process.

The ISC invite the investment managers (usually at least once a year) to attend their ISC meetings to provide further information on performance, positioning and outlook. Updates on engagements projects and the integration of ESG in their portfolios and positioning is also discussed at these meetings.

Investment manager performance targets

The Scheme's investment managers are assessed against the benchmarks as set out in the table below. For mandates that are actively managed the investment managers are assessed against the outperformance targets as shown.

Manager	Asset Class	Benchmark Allocation (%)	Benchmark	Outperformance Target (p.a.)	Outperformance Fees	Outperformance Time Horizon (years)	Tracking Error Tolerance / Expectation
LGIM	UK Equity	15.0%	Screened FTSE 350 Index (customised exclusions)	To match the benchmark (net of fees)			-
Standard Life	UK Small Cap Equity	10.0%	Numis Smaller Companies (ex-Investment Trusts) Index [a]	+2%	Gross	3 years	Up to 10% p.a.
Standard Life	Overseas Equity	15.0%	MSCI World (ex-UK) Index [b]	+2%	Gross	3 years	Up to 6% p.a.
Pyrford	Multi-Asset	20.0%	UK Retail Price Index	+4% [b]	Net	5 years	Low absolute volatility of returns
Aviva	Property	10.0%	70% IPD All Balanced Property Funds Index 30% INREV Continental European Index	+0.75%	Net	3 years	-
LGIM	Corporate Bonds	10.0%	Markit iBoxx Sterling Non-Gilts Index	+0.75%	Gross	3 years	Up to 1.5% p.a.
LGIM	Index-Linked Gilts	20.0%	FTSE A Over 5 Years Index-Linked Gilts Index	To match the benchmark			Up to +/- 0.25% p.a. (in 2 years out of 3)
Total		**100.0%**					

For passive mandates, LGIM aims to track the benchmark to within the tolerance range shown two years out of three.
[a] Customised benchmark with exclusions – see below.
[b] Pyrford aim to outperform the benchmark by 4% p.a. net of fees and by 5% p.a. gross of fees.

The Trustees will provide an annual update to members on how the Scheme satisfies its UK Stewardship Code obligations requirements.

This statement has been approved by the Trustees on 28 November 2017.

If you have any questions on this statement or the Scheme's approach to stewardship, please contact Eve Keith, Pensions Manager, UNISON Centre, 130 Euston Road, London, NW1 2AY.

Manager Stewardship Code Statements Manager	Link
AVIVA	https://www.avivainvestors.com/content/dam/aviva-investors/united-kingdom/documents/institutional/ai-stewardship-statement.pdf
LGIM	www.lgim.com/library/capabilities/UK_Stewardship_Code.pdf
Pyrford	https://www.bmo.com/pyrford/responsible-investment/g/uk-stewardship-code
Standard Life Investments	https://www.standardlifeinvestments.com/governance_and_stewardship/the_uk_stewardship_code/index.html