

# Annual Implementation Statement (‘the Statement’)

Scheme year ending 31 March 2022

## 1. Introduction and purpose of this Statement

This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustees covering the Scheme year to 31 March 2022. The purpose of this Statement is to:

- detail any reviews of the Statement of Investment Principles (‘SIP’), required under section 35 of the Pensions Act 1995, that the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review;
- set out the extent to which, in the opinion of the Trustees, the Scheme’s SIP has been followed during the year;
- describe the voting behaviour by, or on behalf of, the Trustees over the year;
- set out the extent to which, in the opinion of the Trustees, the engagement policy within the SIP has been followed during the year.

## 2. Review of and changes to the SIP

### Review of the SIP and changes made during the Scheme year

The SIP was reviewed and subsequently updated during the 2020/21 Scheme year to comply with further legislative changes that came into force with effect from 1 October 2020. The revised SIP was formally adopted by the Trustees in September 2020.

### Subsequent review of and changes to SIP (post Scheme year-end)

3. There have been no significant changes to the SIP since year end.**Adherence to the SIP**

The Trustees believe the policies set out in the SIP have been followed during the 2021/22 Scheme year and the justification for this is set out in the remainder of this section.

### Overall investment objective as set out in the SIP

The Trustees’ investment objectives are described in the SIP.

### How do the Trustees meet their investment obligations?

The Trustees meet these objectives by regularly reviewing the investment strategy - the last review was undertaken in 2017 with a subsequent implementation update in early 2019. The key objectives of the review were as follows:

- To review the expected investment risk and return associated with the existing investment strategy and any alternatives suggested;
- To review the asset allocation i.e. the return seeking and matching asset split;
- To review the structure of the return seeking assets;
- To review the structure of the matching assets.

New review is currently taking place with results to be discussed by the Trustees in late 2022.

### **Professional advice**

The Trustees are aware of the requirement to take professional advice when setting and reviewing investment strategy. The Trustees use Willis Towers Watson to provide such advice.

During the Scheme year, the Trustees established Investment advisor objectives. The Trustees are currently considering how best to monitor the Scheme's advisors against these objectives.

### **Investment strategy**

The Trustees recognise that the Scheme's investment strategy is of primary importance in seeking to achieve their investment objectives. The Trustees review the performance versus the Scheme's investment objectives on a quarterly basis and a more thorough review, as described above, is carried out at least every three years.

### **Investment manager arrangements**

There were no changes to the investment managers employed to manage the Scheme's assets during the year.

The Scheme's portfolio is comprised of global and UK equities passively managed by Legal and General Investment Management (LGIM), UK property managed by Threadneedle, European infrastructure managed by Aberdeen Standard Investments (ASI), Liability Driven Investment (LDI) matching assets managed by LGIM and a Diversified Growth Fund actively managed by Baille Gifford.

The Scheme also holds a small allocation to the Acadian Emerging Market Equity Fund which continues to be reduced to fund the investment in the ASI Infrastructure Fund.

The asset allocation and the investment vehicles through which the investment strategy is implemented ensures the portfolio has a suitable mix of return-seeking and matching assets, consistent with the Trustee's policy.

### **Risk management**

The Trustees have identified a number of risks involved in the management of the Scheme assets which are taken into account when reviewing the investment arrangements. These risks and the process through which they are managed are laid out in the Scheme SIP. The Trustees continued to review and monitor these risks in line with their SIP over the year.

### **ESG considerations**

Considering the majority of the Scheme's investment funds are passively managed, the Trustees take a pragmatic approach to ESG considerations. This is reflected in the SIP.

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers. The Trustees recognise that long-term sustainability issues, including climate change, may have an impact on investment risk and outcomes. At the present time the strategy is to invest predominantly in pooled funds which do not specifically take account of social, environmental and governance considerations in the selection, retention and realisation of investments.

However, the Trustees do review the strategy on an ongoing basis and may reflect these factors in any subsequent changes to the strategy or to underlying investment managers. The Trustees will continue to evolve and develop their approach to ESG monitoring going forward.

### **Voting and engagement**

All of the Scheme investments are held within pooled funds. As such the Trustees have delegated all voting and engagement activities to the underlying managers, but nevertheless expect effective activities in these areas to form part of their processes. The Trustees with the help of their investment advisor will review their managers' stewardship and engagement policies regularly to ensure alignment with the Scheme's investment objectives.

### **Voting**

During 2021, LGIM voted on over 180,200 proposals during over 15,400 company meetings. LGIM has implemented their own custom policies, and rely on the service of ISS, their proxy advisor. LGIM has recently introduced a custom voting policy, which requires companies, among other things, to have a higher level of independence and diversity on the board, or to provide more in-depth disclosure regarding executive compensation.

LGIM have identified and provided a list of the most significant votes made on behalf of the Scheme. Below is an example of one of those votes within the LGIM World Equity Index Fund:

- The LGIM World Equity Index Fund voted against the election of Jeffery P. Bezos as a Director for Amazon.com, Inc. On 26<sup>th</sup> May 2021. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM are voting against a combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and LGIM have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.


The below table lays out the voting statistics for the Scheme's equity funds and the Diversified Growth Fund (which has equity exposure) for the year ending 31 March 2022:

Asset class	Number of resolutions eligible to vote on	Resolutions voted with management (%)	Resolutions voted against management (%)	Resolutions for which voting was abstained (%)
LGIM All World Equity Index Fund (GBP hedged)	64,607	80.8%	18.1%	1.2%
LGIM UK Equity Index Fund	10,813	93.1%	6.9%	0.0%
Acadian Emerging Markets Equity Fund	6437	77.0%	17.0%	3.0%
Baillie Gifford Diversified Growth Fund	1,537	96.0%	3.4%	0.6%

### Engagement

LGIM's Investment Stewardship team engaged 773 times in respect of 571 companies during 2021, often collaborating with industry peers. Climate change was the single most frequent engagement topic (246 times), and the UK was the biggest engagement market (240) after North America (176).

One example of LGIM active engagement was their work with the Institutional Investor Group on Climate Change (IIGCC) is a crucial part of their approach to climate engagement. IIGCC is a founding partner and steering committee member of Climate Action 100+ (CA100+), a global investor engagement initiative with 671 global investor signatories representing \$65 trillion in assets that aims to speak as a united voice to companies about their climate transition plans. LGIM actively supports the initiative by sitting on sub-working groups related to European engagement activities and proxy voting standards. They also co-led several company engagement programs, including BP.

Signed:   
Name: ANDREW DONNAN  
Date: 10<sup>th</sup> Oct 2022

Authorised for and on behalf of the Trustees of the Scheme