

Annual Implementation Statement (‘the Statement’)

Scheme year ending 5 April 2021

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 5 April 2021. 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 has 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 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)

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

3. Adherence to the SIP

The Trustees believe the policies set out in the SIP have been followed during the 2020/21 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 due to be discussed by the Trustees in 2022.

Professional advice

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

The Trustees established Investment advisor objectives. The Trustees expect to monitor the Scheme's advisors against these objectives on a regular basis.

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 Baillie 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 2020, LGIM voted on over 138,600 proposals during almost 14,000 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 for the approval of capital protection in Whitehaven Coal company AGM on 22nd October 2020. Shareholders were asking the company for a report on the potential wind-down of the company's coal

operations, with the potential to return increasing amounts of capital to shareholders. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.


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 31/03/2021:

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)	70,672	83.25%	15.96%	0.79%
LGIM UK Equity Index Fund	12,574	92.94%	7.05%	0.01%
Acadian Emerging Markets Equity Fund	4074	79.0%	17.0%	2.0%
Baillie Gifford Diversified Growth Fund	925	93.58%	5.18%	1.24%

Engagement

LGIM's Investment Stewardship team engaged 891 times in respect of 665 companies during 2020, often collaborating with industry peers. Climate change was the single most frequent engagement topic (407 times), and the UK was the second biggest engagement market (275) after North America (283). The most frequently engaged companies were BP (9 engagements), Tesco (7) and Tinto (6).

One example of LGIM active engagement was Facebook, LGIM have recommended that human-rights considerations are integrated into tech giants' business strategies, policies and planning. As well as developing a set of investor expectations for global tech companies on human rights in collaboration with others, LGIM joined a global investor alliance to encourage Facebook, Alphabet and Twitter to strengthen controls to prevent the livestreaming and dissemination of objectionable content.

Signed: 
 Name: ANDREW DONNAN
 Date: 20th December 2021

Authorised for and on behalf of the Trustees of the Scheme