

Implementation Statement

Annual Engagement Policy Implementation Statement for the Year Ended 31 March 2024

Introduction

This Statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year to 31 March 2024. The SIP is a document drafted by the Trustee to help govern the Scheme’s investment strategy. It details a range of investment-related policies, a summary of which is included below alongside the relevant actions taken by the Trustee in connection with each of these policies.

This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The principal objective of the Trustee has always been and remains to ensure, so far as they are able, the security of the members’ accrued benefits. To achieve this objective, the Trustee has entered into an agreement dated 13 November 2009 with Rothersey Pensions Management Limited to purchase a collateralised bulk annuity policy from Rothersey Life Plc, a life assurance company authorised and regulated by the Financial Conduct Authority, to secure the entitlements of all beneficiaries of the Scheme.

This insurance policy was subsequently extended on 17 December 2015 to include additional accrual for the small number of remaining active members since the date of the previous agreement.

Liabilities such as additional accrual for the one remaining active member at the time of the policy extension and other “discretionary” liabilities are not covered by the bulk annuity policy. The Scheme will hold assets as a reserve to meet these liabilities as and when they fall due.

Review of the SIP

During the year to 31 March 2024 a revised version of the SIP was signed to reflect the changes made to the investment management arrangements in place, namely that the Trustees will no longer actively rebalance the portfolio towards the previous target benchmark allocation, which consisted in a 1/3 allocation to each of the funds held (the Over 5 year Index-Linked Gilts fund, the Over 15 year Index-Linked Gilts fund and the Liquidity fund). Additionally, the SIP was also updated to reflect the changes in the designation of the Scheme’s Auditor, Administrator, Custodian and Collateral Manager.

During the year to 31 March 2024, there were no material changes to the Scheme’s Investment Strategy, nor to its ESG, Stewardship and Climate Change policy.

Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustee’s policy on ESG factors, stewardship and climate change. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

Engagement

The Scheme’s investment strategy, excluding the bulk annuity with Rothersey, is to invest the residual assets solely with Legal & General Investment Management (“LGIM”). The Trustee, supported by the investment consultant, requested that LGIM confirm compliance with the principles of the UK Stewardship Code. LGIM has confirmed they are a signatory of the current UK Stewardship Code.

Appendix 1: Implementation Statement (continued)

As per the Scheme's SIP, The Trustee believes that the integration of environmental, social and governance ("ESG") factors including climate change may have a material impact on the overall investment outcome. The Trustee notes that as most of the Scheme's assets are invested in bulk annuities with the rest invested in cash and gilts, the integration of ESG factors may be difficult in practice.

The Trustee does not make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the investment managers, who are able to engage directly with such issuers in order to improve their performance.

The Trustee expects details of voting and engagement activities associated with the funds in which the Scheme invests in, to be available if requested. Should the need arise, the Trustee may challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Scheme.

Further to the above and following recent regulatory requirements, the Trustees have identified ESG as their engagement key theme. Therefore, the Trustees may feel the need to engage with the underlying investment manager on issues related to:

- Environmental – For example: actions/initiatives requiring publication of a business strategy that is aligned with the Paris Agreement on climate change; resolutions on climate related activities that would result in significant biodiversity loss;
- Social – For Example: actions/initiatives relating to Human rights violations in its various forms (e.g. slavery; human trafficking; sexual harassment, etc).
- Governance – For example: actions/initiatives that would be at odds with the expectations of the UK Corporate Governance Code (e.g. matters of excessive or inappropriate executive remuneration or lack of board diversity).

However, as outlined above, ESG as an engagement priority is limited by the nature of the Scheme's investments i.e. as most of the Scheme's assets are invested in bulk annuities with the rest invested in cash and gilts, the integration of ESG factors may be difficult in practice.

The Trustee will receive and consider written advice from the Investment Consultant at such intervals as the Trustee determines from time to time. The Trustee also receives regular performance reports from the Investment Managers (this includes ratings, both overall and specific to ESG, from the investment consultant) and meets them on a periodic basis to review and discuss the operation of their portfolios, including past and future policy decisions.

Voting Activity

Due to the nature of the assets held by the Scheme during the period ending 31 March 2024, no voting activity has been considered. Also, votes for the AVC funds have not been considered as they are not considered to be material in the wider context of the Scheme.

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote". The Trustee has decided that a policy is not required in this area given the nature of the assets.