IMPLEMENTATION STATEMENT (FORMING PART OF THE TRUSTEE'S REPORT)

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 December 2020. This statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

The table later in the document sets out the how, and the extent to which, the policies in the SIP have been followed. We can confirm that all policies in the SIP have been followed in the year to 31 December 2020.

Appendices A and B include information on the key voting and engagement activities of the underlying investment managers within each Section of the Scheme.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

DB Section

- To invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due;
- Over the long-term, to restore the Scheme's least risk funding position. As the Scheme matures, this objective will increase in importance;
- Over the medium term, to consider an acceptable balance between contributions and investment returns towards achieving this goal;
- Over the short term, to consider the implications of adopting this investment strategy on the Scheme's ongoing funding position and recommended contribution rate.

DC Section

- To offer an appropriate default arrangement for members of the Scheme who are unable, through lack of interest or knowledge, to select investments for themselves;
- To provide members with a range of investment options to enable them to tailor investment strategy to their needs, specifically in controlling the risks inherent in the savings. In particular, to make available vehicles which aim:
- To maximise the value of members' assets at retirement.
- To maintain the purchasing power of members' savings.
- To provide protection for members' accumulated assets in the years approaching retirement against:
- Sudden (downward) volatility in the capital value;
- Fluctuations in the cost of purchasing annuities;
- To avoid over-complexity in investment in order to keep administration costs and employee understanding at a reasonable level.

The Trustee regularly reviews the suitability of the options provided and from time to time will change managers or introduce additional investment options.

Review of the SIP

During the year the Trustee reviewed the Scheme's SIP. A revised SIP was signed in September in order reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies in SIP.

- How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset manager.

Over the past 12 months, no changes were made to the SIP as part of an annual review.

Assessment of how the policies in the SIP have been followed for the year to 31 December 2020

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP, relating to the Scheme as a whole.

Area covered by the policy	Trustee Policy as per the SIP	Actions taken by the Trustee over the 12 months to 31 December 2020
Securing compliance with the legal requirements about choosing investments	***DB & DC Section**: 2.1 The Trustee has appointed a firm of professional consultants (the "Investment Consultant") to provide relevant advice to the Trustees. We also take advice as appropriate from the Scheme Actuary and other professional advisers.* *The Investment Consultant has confirmed in writing to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Act 1995 and the Occupational Pension Scheme (Investment) Regulations 2005. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).*	**DB & DC Sections:** No new managers were appointed or terminated over the 1-year period to 31 December 2020. The Trustees have received regular cashflow advice from the Investment Consultant based on regular asset position updates, in order to meet ad-hoc disinvestment requests.
Kinds of investments to be held and balance between different kinds of investments	*3.1 The Trustee undertakes regular investment strategy reviews. These reviews ensure investment strategy is consistent with the funding strategy. In addition, the Trustee considers an appropriate level of investment risk to take relative to the Scheme's liabilities.* The basis of the Trustee' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as equities and Diversified Growth Funds ("DGFs"), and a "matching" portfolio, comprising assets such as UK Gilts, UK index Linked Gilts and liability driven investments ("LDI"). The Trustee regard the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile. ***DC Section**: The Trustee has selected a range of investment options for members to utilise in structuring their assets according to their individual objectives and risk tolerance.* *In addition, it has created a Default Arrangement for members that have not selected their own investments. The Default Arrangement follows a*	**DB Section:** The investment strategy was not reviewed over the year. The most recent review occurred in 2019 when the interest rate and inflation hedging, including the role of credit, was reviewed. **DC Section:** The default investment option was last reviewed in December 2019 and focussed on the ongoing suitability of the default investment strategy and wider fund range. Although this review was not undertaken during this year, it represents an important exercise for the Trustee that covers the majority of the investment policies the Trustee has in place. No changes were made following this review and the kinds of investment held in the default strategy are consistent with the SIP. The Trustee are in discussion with the Company regarding the future of the DC arrangements, and will revisit the advice given in the investment review once a decision has been made.

	"lifestyle" strategy that automatically varies the mix of assets a member is invested in over their working life and is designed to be appropriate for a member to take their benefits by taking a proportion of their savings as a lump sum and purchasing an annuity with the remainder.	
Risks, including the ways in which risks are to be measured and managed	*5.1 The Trustee recognises and monitors the following risk and return objectives:* *5.1.1 The risk of deterioration in the Scheme's least risk funding level.* *5.1.2 The risk of changes in the value and profile of the liabilities in relation to the value and profile of the assets.* *5.1.3 The risk that the assets will not achieve the rate of investment return expected by the Scheme Actuary, resulting in a higher than expected cost to the Employer.* *5.1.4 The risk of volatility in the Employer's contribution rate and the implication of this to the Employer and the security of members' benefits.* *5.1.5 The risk of deterioration in the ability of the Employer to support the Scheme.* ***DC Section:*** *The Trustee recognises risk (both investment and operational) from a number of perspectives in relation to the self-select funds and the default investment option.*	**DB Section:** As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. The Trustee received VaR, PV01 and IE01 updates in the Mercer quarterly report; risks were also considered when providing the regular asset allocation updates (as a way to monitor deviations from the standard asset allocation and adjust the allocation weights). The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions. The likelihood measure for the manager risk was increased from 3 to 4 out of 5 due to concerns over asset managers failing to deliver positive returns over the year. **DC Section:** As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.
Expected return on investments	*13.1 Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels*	**DB Section:** The investment performance reviews prepared by the Investment Consultant were presented to the trustees on a quarterly basis. Performance was measured on both an absolute return basis and a relative return basis against a suitable index used as the benchmark (where appropriate) or against an alternative performance target. Both asset class and investment manager performance was reported net of fees. Further

	of outperformance, and in relation to passive management suitable levels of "tracking error" against a relevant benchmark. *13.8 Investment returns (and volatility) are measured on an absolute basis and considered relative to one or more suitable benchmarks and targets. Returns are considered net of fees and ongoing transaction costs.* ***DC Section**: In designing the Default Arrangement, the Trustee has explicitly considered the trade-off between risk and expected returns and the Trustee has made available a range of self-select options for members that wish to select their own investment in line with own risk tolerance.* *The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. In appointing an investment manager, the Trustee looks to their investment consultant to provide a forward-looking assessment of the realisation of manager appointments.*	information provided in the quarterly reports included the asset allocation, manager research, LDI monitoring and Cashflow policy. Over the 1 year to date, the Scheme has returned 8.7% relative to a benchmark weight of 8.2%. Over the 3 years to date, the Scheme has returned 5.8% relative to a benchmark weight of 5.1%. The Trustees note that the deviation in performance is primarily due to the outperformance of the Diversified Growth and Absolute Return Fixed Income portfolios. No actions were taken by the trustee over the prior year in respect of manager appointments and removals. **DC Section:** The Trustee regularly reviews performance reports prepared by Mercer and will be assisted by Mercer on an ad-hoc basis to identify any concerns with the underlying managers used within the defined contribution arrangements. The underlying investment managers are responsible for day-to-day management of the Scheme's assets in accordance with guidelines agreed with the Trustee. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. The Investment Managers report to the Trustee regarding their performance. The Trustee only appoints authorised investment managers after taking expert advice.
Realisation of investments	*6.1 In addition to targeting an appropriate overall level of investment risk, we seek to spread risks across a range of different sources. We aim to take on those risks for which we expect to be rewarded over time, in the form of excess returns. We believe that diversification limits the impact of any single risk.* *The Trustee considers the liquidity of the investment in the context of the likely needs of members.* ***DC Section**: The majority of assets in both the Default Arrangement and self-select range are invested in daily traded pooled funds, which hold*	**DB Section:** Subject to maintaining the strategic asset allocation, the Trustee was able to use income derived from the Scheme's LDI Portfolio assets to help meet cashflow requirements, thereby reducing the need for physical disinvestment of assets. **DC Section:** The Trustee receives an administration report on a quarterly basis to confirm to ensure that core financial transactions are processed within SLAs and regulatory timelines. All funds are daily dealt pooled investment vehicles, accessed by an insurance contract.

	highly liquid assets. The pooled funds are commingled investment vehicles, which are managed by various underlying fund managers. The selection, retention and realisation of assets within the pooled funds are delegated to the respective fund managers in line with the mandates of the funds. *The Trustee acknowledges that a minority of assets are held in illiquid assets, such as property.*	
Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	***DB and DC Sections*** *12.1 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. This applies to both equity and debt investments.* *Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.*	The investment performance reports were reviewed by the Trustee on a quarterly basis, and included manager ratings (both general and ESG) for the Insight strategies. All Insight strategies remained highly rated during the year (rated A, the highest possible Mercer rating). ESG ratings were not available for the Insight LDI and Diversified Growth funds, but the Insight Buy and Maintain Credit strategy remained rated 'ESG2' throughout the year. The Scheme's September 2020 SIP review included the Trustees policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. Mercer IM and Insight provided reporting on ESG integration progress, stewardship and monitoring results. The Trustees keep their policies under regular review with the SIP subject to review at least annually. **DC Section**: The investment performance reports were reviewed by the Trustee on a quarterly basis, and included manager ratings (both general and ESG) for the DC Section funds. All funds other than the Aviva Balanced were highly rated (B+ or higher). ESG ratings were available for the SSGA Global Equity Index Fund and the LGIM Sterling Liquidity Fund, which were rated ESGp2 and ESG4 respectively. **DB & DC Sections**: In cases where strategies may not be highly rated from an ESG perspective, the Trustee will continue to monitor them. When

		implementing or terminating managers they would consider the ESG rating of the manager. The Trustee acknowledges that fixed income funds do not have a high ESG rating assigned to them by the investment consultant due to the nature of the asset class (it is harder to engage with the issuer of debt).
The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	***DB & DC Sections****: Non-financial matters, such as member views, are not taken into consideration.*	**DB & DC Sections**: The Trustee does not require the Scheme's investment managers to take non-financial matters (for example, member views on ethical and social considerations) into account in their selection, retention and realisation of investments. The Trustee does, however, consider feedback received from members as part of any discussions relating to the range of funds available within the DC Section.
The exercise of the rights (including voting rights) attaching to the investments	*12.2 The Trustee has delegated the day to day management of a proportion of the Scheme's assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. Mercer is expected to consider ESG factors in appointing managers to these portfolios. The underlying investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.* *12.3 The Trustee has appointed Insight to manage the remainder of the assets. Insight are given discretion to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations in line with the requirements detailed above for the underlying investment managers.*	**DB & DC Sections:** The Trustee has delegated their voting rights to the investment managers. The Trustee does not use the direct services of a proxy voter. Over the last 12 months, the key voting activity on behalf of the Trustee with regards to the DB & DC sections is detailed in Appendices A & B respectively.

	***DC Section**: The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.*	
Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	*12.4 The Trustee engages with Mercer and Insight on these issues through (amongst other things) meetings and periodic correspondence and will monitor investment manager engagement activity at least annually. This covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.* *Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.* ***DC Section**: The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.*	**DB & DC Sections:** Investment managers are expected to provide reporting on a regular basis, at least annually including stewardship monitoring results. These are reviewed by the Trustee. **DB Section**: The investment managers are required to report their adherence to The Stewardship Code. Both managers confirmed that they currently are or are aiming to become signatories of the current UK Stewardship Code or plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020. **DC Section**: Investment managers will be expected to provide reporting on a regular basis, at least annually including stewardship monitoring results. The Trustees will review these reports going forwards. As the Scheme invests in pooled funds, the Trustees rely on their investment managers to engage with the investee companies on their behalf. The Trustees are looking to enhance their reporting on manager engagement by reviewing annual voting and engagement reports. Where underlying investment managers are not meeting expectations, the Trustees will engage with these managers. The following funds contained an allocation to equities:

		DB Section • Insight – Diversified Growth **DC Section** • Aviva – Balanced Managed Fund • State Street Global Advisors – Global Equity Fund • State Street Global Advisors – Balanced Index Fund
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee policies.	*13.3 The Trustee invests in multi-investor pooled investment vehicles and accept that they have little or no ability to specify the risk profile and return targets of the manager other than through the choice of specific vehicles. They will therefore select vehicles that best align with the Trustee's own policy in terms of investment objectives and guidelines (as set out in relevant governing documents) and, once appointed, will review the appointment should there be any material changes in these terms.* *13.4 The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at short notice.* *13.5 For each appointment retention is dependent upon the Trustee having ongoing confidence that the investment manager will achieve its investment objective. The Trustee makes this assessment taking into account various factors that include performance to date as well as an assessment of future prospects.* ***DC Section:** The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.*	**DB & DC Sections:** As the Trustee invests in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds were in place over the year to align with the investment strategy. In the year to 31 December 2020, the Trustee received continued suitability advice on the Scheme's DB and DC investments, which confirmed that the investments remained appropriate at this time.

	The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. The Trustee will review the appointment of an investment manager after sustained underperformance and if the Trustee is dissatisfied, they will look to replace that manager. *If the investment objective for a particular fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.* *In appointing an investment manager, the Trustee looks to their investment consultant to provide a forward-looking assessment of the manager's ability to outperform over a full market cycle.* *The Trustee's investment consultant's manager research ratings are used for due diligence and are used in decisions around selection, retention and realisation of manager appointments.*	
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	*13.6 Investment Managers are therefore incentivised both to achieve the objectives set for them, which are consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages investment managers to take a suitably long term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.* ***DC Section:*** *The Trustee considers their investment consultant's assessment of how each underlying investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the underlying investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments in future.*	**DB Section:** The DB managers were reviewed by the Trustee at each of its quarterly meetings. This included monitoring fund performance against their benchmarks over both shorter and longer-term periods (3-year, 5-year, and since inception). Over the year to 31 December 2020, the Trustee has met with Insight on several occasions to monitor LDI governance and make an ongoing assessment of the LDI mandate. **DC Section:** The DC Section's investment managers were reviewed by the Trustee at each of its quarterly meetings. This included monitoring fund performance against their benchmarks over both shorter and longer-term periods (3 years and 5 years).

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]	*13.7 The Trustee receives reporting on asset class and investment manager performance on a regular basis, via a combination of formal independent reports and presentations from the investment managers.* *13.8 Investment returns (and volatility) are measured on an absolute basis and considered relative to one or more suitable benchmarks and targets. Returns are considered net of fees and ongoing transaction costs.* *13.9 As well as assessing investment returns the Trustee will consider a range of other factors, with the assistance of their investment adviser, when assessing investment managers, which may include:* • *Personnel and business change;* • *Portfolio characteristics (including risk and compatibility with objectives) and turnover;* • *Engagement activity;* • *Service standards;* • *Operational controls; and* • *The adviser's assessment of ongoing prospects based on their research ratings.* *13.10 The Investment Managers are remunerated by way of a fee calculated as a percentage of assets under management. The principal incentive is for the investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive the associated fee. The Trustee will consider any performance related fees on a case by case basis and would also consider requesting fee reductions. Investment Managers are not remunerated based on portfolio turnover.* *DC Section: The Trustee receive reports from their investment manager on a quarterly basis, which present performance information over a range of time periods. The Trustee reviews the absolute performance and relative performance against a suitable index or comparator used as the benchmark, and against the underlying manager's stated target performance (over the relevant time period). Whilst the Trustee's focus is*	**DB Section:** The Investment Consultant produced investment manager performance reports on a quarterly basis. The Trustee reviewed the absolute performance and the relative performance against a suitable index used as the benchmark, on a net of fees basis. Over the full year of 2020, the Scheme returned 8.7%, outperforming the overall benchmark of 8.2%. Over the inception to date period, the Scheme outperformed its benchmark (7.9% vs. 7.4% p.a.). **DC Section:** The Investment Consultant produced investment manager performance reports on a quarterly basis. The Trustee reviewed the absolute performance and the relative performance against a suitable index used as the benchmark, on a net of fees basis. In addition, the Trustee carries out a Value for Members Assessment, which determined that the DC Section funds offered good value in terms of investment performance.

	on long-term performance, they also take shorter-term performance into account. *If an underlying manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required.* *As part of their annual Value for Money ("VfM") assessment for the Scheme's DC Section, the Trustee reviews the investment manager fees. Where potential improvements on the value delivered to members is identified, the Trustee will take action.*	
How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*13.11 Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in or realising assets from a mandate.* *13.12 The Trustee has not historically monitored investment managers' ongoing transaction costs explicitly but measure these implicitly through ongoing performance assessments which are net of these costs. The Trustee will seek explicit reporting on ongoing costs for all appointed managers.* *13.13 The Trustee does not monitor regular cashflow costs (but seek to minimise them through ongoing cashflow policy). The Trustee monitors the costs of implementing strategic change via their investment consultant.* *DC Section: The Trustee considers portfolio turnover costs as part of the annual value for members assessment.* *The Trustee does not currently define target portfolio turnover ranges for funds, but they will engage with a manager if portfolio turnover is higher than expected.*	**DB Section:** The Trustee has not explicitly monitored portfolio turnover costs over the Scheme year, but notes that at an individual mandate level this will form part of the investment adviser's manager research assessment. The Trustee will continue to monitor industry developments concerning the reporting of portfolio turnover costs and in particular the benchmarking of cost reporting. **DC Section**: During the Scheme year, the Trustee assessed portfolio turnover costs as part of the Value for Members assessment. The Trustee has not queried portfolio turnover costs with their investment managers. Portfolio turnover costs are disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. An investment manager can also factor in anti-dilution mechanisms into the total transaction costs. The Trustee are required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs: • No industry-wide benchmarks for transaction costs exist

		• The methodology leads to some curious results, most notably "negative" transaction costs • Explicit elements of the overall transaction costs are already taken into account when investment returns are reporting, so any assessment must also be mindful of the return side of the costs There is little flexibility for the Trustee to impact transaction costs as they invest in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any "industry standard" or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative. However, the Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value.
The duration of the arrangement with the asset manager	*13.4 The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at short notice.* *DC Section:* The Trustee is a long-term investor and is not looking to change its investment arrangements frequently. *All the funds are open-ended with no set end date for the arrangement.* *The funds available to members and default investment option are reviewed on at least a triennial basis. An underlying manager's appointment will be considered and may be terminated if it is no longer considered optimal, nor have a place in the default strategy or the self-select fund range. This is independent of time.*	**DB & DC Sections:** No change in the investment manager of the underlying mandates was made during the year.

Appendix A – Manager Voting Responsibility (DB Section)

Details regarding the key voting and engagement activity conducted on behalf of the Trustee is set out below.

Mercer Funds

The Trustees have appointed Mercer to act as discretionary investment manager in respect of a proportion of the Scheme's Defined Benefits assets and such assets are invested in four Mercer Funds managed by MGIE and Mercer Alternative AG. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Policy Updates

- The Trustees considered how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process.
- The Mercer Sustainability Policy is available to the Trustees. In August 2020, the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020. In March 2021, there was a further update in relation to sustainability–related disclosures in the financial services sector ("SFDR") implementation.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Engagement Policy to specifically address the requirements of the directive.

Climate Change Reporting and Carbon Footprinting

- Mercer undertake climate scenario modeling and stress testing on the Mercer multi sector funds used by the Scheme on an annual basis, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations, with the latest review as at 31 March 2020. The results of the climate scenario modelling and carbon footprinting are within the TCFD compliant Climate Change Management Report. The findings of the modelling are integrated into asset allocation decisions, which are increasingly aligned with a 2˚C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.
- Carbon Footprint analysis of all equity funds is completed on a six monthly basis. From 31 December 2019 the approach was enhanced to include the top 5 carbon emitters and the top 5 contributors to the Weighted Average Carbon Intensity (WACI) to give the Mercer and MGIE investment teams additional information to drive engagement with managers.

ESG Rating Review

- ESG ratings assigned by Mercer (and its affiliates') global manager research team, are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually which seeks evidence of positive momentum on ESG integration. Since Q3 2020, the quarterly performance report has included the Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer's global investment manager database.
- As at 31 December 2020, 95% of Mercer Funds had an ESG rating equal to or above their asset class universe, a 10% improvement on 2019.

Update to Exclusions

- As an overarching principle, Mercer and MGIE, as the Trustees' discretionary investment manager, prefer an approach of positive engagement rather than negative divestment. However, Mercer and MGIE recognise that there are a number of cases in which investors deem it unacceptable to profit from certain areas, and therefore exclusions will be appropriate.

- Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds. From 1 October 2020, the controversial weapons screen was extended to passive equity funds. The Mercer sustainable themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.
- In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues.

Voting Activity

The Trustees' investments take the form of shares or units in the Mercer Funds. Any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are ultimately delegated to the third party investment managers appointed by MGIE. MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such, the Trustee do not use the direct services of a proxy voter. The MGIE Engagement Policy outlines this framework.

Set out below is a summary of voting activity for the year to 31 December 2020 relating to the relevant Mercer Funds.

- Voting: As part of the monitoring of managers' approaches to voting, MGIE assesses how active managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers note in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities.
- The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation is for all shares to be voted.
- "Unvoted" reflects instances where managers have not actioned a vote – these are specific areas where MGIE will follow up to ensure managers have appropriate systems in place to ensure all votes are actioned.
- "Other" reflects instances where managers have withheld votes in Power of Attorney markets, share blocking markets or where conflicts of interest may be present.
- Significant Votes: Mercer Investment Solutions has based its definition of significant votes on its Global Engagement Priorities, based on its Beliefs, Materiality and Impact ("BMI") Framework. This is summarised in the Engagement Section of the MGIE Sustainability Policy. In order to capture this in the monitoring and reporting of managers voting activities, significant votes focus on proposals covering these priority areas, with specific focus placed on shareholder proposals ("SHP") relating to these priority areas and taking into account the size of holding across funds.

Insight

Insight is signatory of the current UK Stewardship Code and planned to submit the required reporting to the Financial Reporting Council by March 2021 in order to be one of the signatories of the UK Stewardship Code 2020 that took effect in January 2020.

Throughout the year, the Scheme remained invested in Insight's Broad Opportunities Fund ('Diversified Growth'), Liability Driven Investments Fund ('LDI') and Maturing Buy & Maintain Bond Funds ('Buy & Maintain Credit'). Details on voting and engagement activities are set out below.

Diversified Growth

Insight retained the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it was deemed appropriate and responsible to do so. Minerva Analytics analysed any resolution against Insight specific voting policy templates, which determined the direction of the vote.

Voting activity undertaken over the year to 31 December 2020 is summarised in the table below for the Scheme's equity funds that are present in the Insight Broad Opportunities Fund.

Fund	Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management
Broad Opportunities Fund	10	119	100%	100% / 0%

Insight exercised its stewardship role through engaging with investee management and company boards to discuss governance, strategy and other relevant issues. During 2020, Insight had 36 engagements across all of the 12 direct holdings in the Fund. Of the 36 engagements across the 12 direct holdings in the Fund, 13 included board engagements and 14 included ESG discussions.

LDI

Over the year, Insight engaged actively on industry initiatives and regulation within the LDI sphere to represent the views of clients to key public bodies and effectively deliver better outcomes (as well as being committed to support clients with regulatory requirements). Insight actively engaged on RPI reform and LIBOR reform with the UK treasury/ISDA, in addition to regular engagements with counterparty banks.

Insight also engaged directly with various government bodies, such as the Bank of England and the Debt Management Office, on market liquidity and gilt issuance. In addition, the manager continued to welcome the UK government to issue green gilts as a further potential evolution of the gilt market to support sustainable investment financing within the UK. Insight wrote about the UK Government's plans to issue its first Green Gilt in 2021 and engaged with Her Majesty's Treasury and the Debt Management Office to share BlackRock views on Green Gilts issuance.

In 2020, to further enhance their responsible investment governance structure, Insight established an LDI Working Group with a specific remit to focus on responsible investment issues for the LDI strategies and mandates they manage.

Due to the nature of the LDI portfolio, there were no voting events, as shares are not held.

Buy & Maintain Credit

Insight engaged with the issuers of the portfolio positions held during the 12-month period to the end of December 2020. Topics for engagement included environmental, social and governance.

	Number of Issuers Insight engaged with	Number of Engagements	Environmental Issues	Social Issues	Governance Issues
Buy & Maintain	76	120	33	37	67

Due to the nature of the Buy & Maintain credit portfolio, there were no voting events, as shares are not held.

Appendix B – Manager Voting Activity Responsibility (DC Section)

The Trustee has provided a high-level summary of voting activity by investment managers on the Trustee's behalf covering the 12-month period up to 31 December 2020 below.

For the 2021 reporting cycle, the Trustee will request further information regarding engagement. Engagement will extend across equities as well as other asset classes (such as fixed income and real estate) in light of the 2020 UK Stewardship Code, which calls for engagement across additional asset classes as well as equities.

Aviva Balanced Fund

- Aviva has voted on 97% of the 2,726 resolutions in which they were eligible to do so, 84% of the time, they voted in line with management, but voted against management at least once in 54% of the meetings in which they attended.
- Aviva use ISS and IVIS for voting proxy advisory services. ISS provide Aviva with voting recommendations based on Aviva's own policy in order to ensure the most efficient approach to voting thousands of meetings a year.
- Examples of significant votes that have taken place over the year are:
  - i. In March 2020 Aviva voted against the management, against the re-election of a Hyundai Motor Company director, on the basis that Hyundai's board was less than a majority independent.
  - ii. In March 2020 Aviva voted against management, against the proposal for Bangkok Bank Public Company Limited to purchase all shares of PT Bank Permata TBK, on the basis that Aviva had concerns over the ability to turn around the business.
  - iii. In May 2020, Aviva voted in line with management to approve the Financial Statement and Statutory Reports for BP PLC. Under normal circumstances Aviva would have voted against the Report & Accounts as BP PLC has not (or not committed to) set a science based emissions target. Aviva expect large emitters to report on climate risks according to the TCFD framework and to define an emissions reduction target aligned with the Paris Agreement. However, Aviva acknowledge that, on 12 February 2020 BP PLC announced an ambition to become a net zero company by 2050 or sooner.
- Over the prior 12 months, the Trustee has not actively challenged Aviva on its voting activity. Going forwards, the Trustee will be more active in reviewing and challenging voting activity.

SSGA Global Equity (50/50) Index Fund

- SSGA voted on 99% of the 37,347 proposals in which they were eligible to do so, 90% of the time, they voted in line with management.
- SSGA use ISS for proxy voting services. Further information on SSGA's stewardship policies can be found here - https://www.ssga.com/library-content/pdfs/ic/proxy-voting-and-engagement-guidelines-principle.pdf and https://www.ssga.com/library-content/pdfs/ic/proxy-Voting-and-engagement-guidelines-uk-ie.pdf.
- SSGA did not provide details of significant votes that took place during the period.

SSGA Balanced Index Fund

- SSGA voted on 99% of the 67,151 proposals in which they were eligible to do so, 87% of the time, they voted in line with management.
- SSGA use ISS for proxy voting services. Further information on SSGA's stewardship policies can be found here - https://www.ssga.com/library-content/pdfs/ic/proxy-voting-and-engagement-guidelines-principle.pdf and https://www.ssga.com/library-content/pdfs/ic/proxy-Voting-and-engagement-guidelines-uk-ie.pdf.
- SSGA did not provide details of significant votes that took place during the period.

SSGA Indexed-Linked Gilts over 5-Years Index

Due to the nature of these investments there were no voting events, as shares are not held.

SSGA UK Conventional Gilts Over 15-Years Index

Due to the nature of these investments there were no voting events, as shares are not held.

LGIM Sterling Liquidity

Due to the nature of these investments there were no voting events, as shares are not held.