Statement of Implementation

Introduction

This statement sets out how, and the extent to which, in the opinion of the Trustee, the Scheme's Statements of Investment Principles ("SIPs") have been followed over the Scheme year for both DB and DC Sections of the Scheme.

Review of the SIPs during the Scheme year

The Trustee reviewed the DB Section SIP during the Scheme year, with an updated version coming into effect on 30 September 2020. The DC Section SIP was reviewed in 2020 and it was confirmed that the version signed on 1 October 2019 remained compliant. The SIPs for both the DB and DC sections had been regularly reviewed and updated if necessary, therefore fulfilling the commitment to review them at least every 3 years.

The key updates reflected as part of the DB SIP review was to introduce Trustee policies in respect of financially and non-financially material investment considerations, and corporate governance and stewardship. To help form these policies, the Trustee received training from its advisers covering responsible investment, the financial materiality of Environmental, Social and Governance ("ESG") factors and stewardship. The policies set out in the DB Section SIP were formed following subsequent discussion.

The key updates reflected as part of the DC SIP review was to include the new governance arrangements which came into place.

Implementation of the DB Section's SIP during the Scheme year

The Trustee's investment objectives set out in the SIP are:

- The acquisition of suitable assets, having due regard to the risks set out in this Statement, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Scheme provides as they fall due.
- To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to any statutory funding requirement.
- To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

Investment strategy review

During the 2019/2020 Scheme year, having concluded the 2018 Actuarial Valuation process, the Trustee and its Investment Adviser carried out an Investment Strategy work in relation to the Scheme's liability hedge and structured equity mandate. No change was made to the Scheme's strategic asset allocation during the Scheme year. However, the Trustee made two strategic changes after the Scheme year, which were

- Increase the level of liability hedging from 60% of Technical Provision liabilities to 75% of Technical Provision liabilities, based on the latest triennial valuation cashflows;
- Implement another structured equity strategy to replace a strategy which was maturing in July.

Implementation of investment strategy

The Trustee has decided to appoint a passive (or buy and hold) investment manager for all the asset classes. The Trustee has delegated the investment of the Scheme assets to the investment manager, which has a degree of discretion to invest the Scheme assets in underlying securities and funds. The Trustee monitors the performance of the Scheme's assets against the agreed objectives through detailed quarterly reporting.

The Trustee has received advice on the appropriateness of the investment manager's target, benchmark and risk tolerance from the Investment Adviser and believe it to be suitable to implement the Scheme's investment strategy.

The Scheme's current investment manager is Blackrock.

Additional Voluntary Contributions ("AVCs")

The Trustee has selected a range of investment funds with the Prudential Assurance Company Limited, the Equitable Life Assurance Society, the Scottish Friendly Assurance Society and Legal and General Assurance Society Limited for the AVCs to be invested in. The Trustee did not review performance of this fund range during the Scheme year, however the Trustee reviewed the AVC arrangements in March 2018. The Trustee intends to carry out another review of the Scheme's AVC arrangement in 2021.

Implementation of the DC Section's SIP during the Scheme year

The Scheme is not a qualifying Scheme for auto-enrolment purposes. The DC arrangements in the Scheme have been closed to new contributions and members since 31 October 2012. All the members in the Scheme with DC assets also have DB benefits, and the vast majority of these members have a guaranteed minimum value that the DC benefits will be assessed against at retirement.

The Trustee's primary objective for the DC investments is to invest the assets in a manner that is expected to outperform inflation over the long term, so as to grow member's asset in real terms. Management of investment risk is secondary to this target given the existence of the underpin on most member's DC benefits.

The Trustee, with the help of its advisers and in consultation with the employer, considered the investment strategy for the DC Section in May 2018, taking account of the Scheme's circumstances and objectives. The Trustee decided that the DC benefits should all be invested in equities, in line with the DB Section. Therefore, there was no formal review of the DC investment strategy and arrangements over the Scheme year.

Voting and engagement activity

The Trustee has followed their Statement of Investment Principles approach to voting and engagement over the year to 31st May 2020 and expects this to have positively contributed to the Scheme's performance. The Trustee has appointed River and Mercantile Investments Limited ("RAMIL") as investment advisor. River and Mercantile Group, of which RAMIL are a division, are a PRI signatory and were rated A+ by the PRI in 2019 for their Strategy and Governance. This statement includes information from the Scheme's underlying manager's voting and engagement records. Where proxy voting agents have been used, this has been included in the voting information.

Due to constraints around underlying management reporting periods which are compiled at quarter end, this statement of implementation has been completed over the year to 31st March 2020 and where applicable, the underlying manager has provided examples of engagement.

DB Section Advisory Growth Portfolio:

BlackRock manage the Scheme's Growth Portfolio. RAMIL have listed the funds considered in detail below as a % of Total Assets as at 31 March 2020. The Scheme's DC assets are invested in line with the physical equities of the DB Section:

Fund name	Strategic Allocation	Actual Allocation
AQUILA LIFE CURRENCY HEDGED OVERSEAS EQUITY	20.0%	18.0%
AQUILA LIFE EUROPEAN EQUITY	10.0%	9.9%
AQUILA LIFE JAPANESE EQUITY	5.0%	5.1%
AQUILA LIFE PACIFIC RIM EQUITY	2.5%	2.2%
AQUILA LIFE US EQUITY	12.5%	11.0%
BLACKROCK FTSE100 STRUCTURED EQUITY	8.3%	6.8%
BLACKROCK S&P500 STRUCTURED EQUITY	16.7%	15.7%

Equity

AQUILA LIFE CURRENCY HEDGED OVERSEAS EQUITY:

Voting Statistics

	Total Companies in Portfolio	No. of individual companies engaged	No of companies with multiple engagements	Engagement #: Environmental	Engagement %: Environmental	Engagement #: Social	Engagement %: Social	Engagement #: Gov	Engagement %: Gov
Total 12 months to 31st March 2020	2635	1189	665	953	37%	808	32%	2397	94%

Significant engagements:

LIXL Group (Industrials): 18 G - Governance Structure engagements.

AQUILA LIFE EUROPEAN EQUITY:

Voting Statistics

	No. of meetings eligible to vote	No. of resolutions eligible to vote on	% of eligible resolutions voted on	% of resolutions voted with management?	% of resolutions voted against management?	% of resolutions abstained from
Total 12 months to 31st March 2020	466	7497	83.31%	74.14	9.18%	1%

Significant engagements:

ABB Ltd.

- The manager had concerns with the re-election of a Board member, after identifying that the individual was serving on several other company boards.

BlackRock voted **against** the re-election of the said individual for serving on an excessive number of public company boards which Blackrock believe raises substantial concerns about the director's ability to exercise sufficient oversight on this board.

AQUILA LIFE JAPAN EQUITY:

Voting Statistics

	No. of meetings eligible to vote	No. of resolutions eligible to vote on	% of eligible resolutions voted on	% of resolutions voted with management?	% of resolutions voted against management?	% of resolutions abstained from
Total 12 months to 31st March 2020	524	,6627	100%	97.43%	2.57%	0%

Significant engagements:

ABC-MART. INC

- The manager had concerns with the proposal to elect a director, as the said individual sits on the Audit Committee of ABC-MART. INC.

BlackRock voted **against** affiliated outsiders as the nominee sits on audit committee.

AQUILA LIFE PACIFIC RIM EQUITY:

Voting Statistics

	No. of meetings eligible to vote	No. of resolutions eligible to vote on	% of eligible resolutions voted on	% of resolutions voted with management?	% of resolutions voted against management?	% of resolutions abstained from
Total 12 months to 31st March 2020	421	3038	99.54%	89.96%	9.58%	0.03%

Significant engagements:

AAC. Technologies Holdings:

- AAC Technologies Holdings put forward a proposal for issuance of equity or equity linked securities without pre-emptive rights. The manager had concerns as this motion would not be in shareholders' best economic interests, particularly as it would give the Board of AAC Technologies Holdings excessive discretion on terms of issuance.

BlackRock voted **against** as this authority is not in shareholders' best economic interests as it would give the board excessive discretion on terms of issuance.

AQUILA LIFE US EQUITY:

Voting Statistics

	No. of meetings eligible to vote	No. of resolutions eligible to vote on	% of eligible resolutions voted on	% of resolutions voted with management?	% of resolutions voted against management?	% of resolutions abstained from
Total 12 months to 31st March 2020	631	7648	99.46%	96.64%	2.82%	0.00%

Significant engagements:

Kellogg Company:

- The manager had concerns around the classification of the Board members of Kellogg Company. This is where some/all elected members can sit multi-year terms on the Board.

BlackRock voted **in favour** of a shareholder driven proposal to declassify the Board and in turn require Directors to be elected every year. Thereby reducing the risk of entrenchment and provide shareholders with enough opportunity to exercise their oversight over the Board.