

Keytec (GB) Limited Retirement Benefits and Life Assurance Scheme

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles (SIP) dated August 2020 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 6 April 2020 to 5 April 2021.

Investment managers and funds in use

The investment funds used for both the DB Section and DC Section are set out in the tables below:

DB Section

Asset Class	Fund	Target Asset Allocation
Diversified growth funds	LGIM Dynamic Diversified Fund	25.0%
Corporate bonds	LGIM Active Corporate Bond – All Stocks – Fund	45.0%
Government bonds	LGIM Over 15 Year Gilts Index Fund	30.0%
Total		100.0%

DC Section

The Trustee has made available three Journey Plan options held with LGIM for members to select, each of which investing in a range of assets. Within each Journey Plan option, members can select one of LGIM's Target Date Funds (previously 'Pathway Funds') depending on their estimated retirement date. As each member moves towards their selected retirement date, the proportion of growth assets is reduced in favour of matching assets. Further details of the Journey Plan options available to members are provided in the SIP.

Asset Class	Fund
Multi-asset	LGIM Target Date 2015-2020
	LGIM Target Date 2020-2025
	LGIM Target Date 2025-2030
	LGIM Target Date 2030-2035
	LGIM Target Date 2025-2040
	LGIM Target Date 2040-2045
	LGIM Target Date 2045-2050

Default Option

The default option for members is Journey Plan 2 with a target retirement age of 65. The applicable LGIM Target Date Fund would then be determined based on each member's date of birth.

Strategy Review

There have been no changes to either the Investment Managers, target asset allocation for the DB Section, the default investment strategy for members in the DC Section, or self-select options available to members in the DC Section over the year.

The Trustee periodically reviews the investment arrangements of the DC Section, last review completed in 2019, including whether the arrangements provide value for members.

Scheme Governance

Governance arrangements, in terms of the constitution of the Trustee, service level agreements with providers, processing of core financial transactions, costs and charges and investment arrangements, are detailed in the Trustee's annual governance statement.

The Trustee is responsible for making investment decisions, and seeks advice from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustee's investment consultant.

The Trustee does not actively obtain views of the membership of the Scheme to help form its policies set out in the SIP.

There were no changes to the objectives put in place for Broadstone which were last reviewed in November 2019. The Trustee is due to formally review these objectives by November 2022, or earlier.

There were also no changes to the investment management agreements with LGIM during the year.

Trustee Knowledge and Understanding

The Trustee has the appropriate knowledge and understanding to ensure its policies on financially and non-financially material considerations, as well as engagement and voting activities, are and remain appropriate for the Scheme. The Trustee has developed their knowledge and understanding over the year, and further details are set out in the annual governance statement.

Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in August 2020, which was updated for new investment regulations relating to Environmental, Social and Governance (ESG) considerations.

The Trustee has a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the Trustee's SIP.

Policy for taking into account financially material ESG considerations

Trustee's Policy: The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee

(delegating to the Investment Consultant where appropriate) assesses the ESG integration capability of its Investment Managers.

There have been no changes to the Trustee’s policy, nor any departures from its policy, during the year.

The Trustee notes that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustee is satisfied that the funds currently invested in by the Scheme are managed in accordance with its views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustee has access to updates on governance and engagement activities by LGIM and input from its investment advisor on ESG matters. These views are also taken into account when appointing and reviewing Investment Managers.

The Trustee acknowledges that it is delegating the consideration of financially material factors in relation to determining the underlying holdings to LGIM given it is investing in pooled funds.

A summary of the Trustee’s views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Diversified growth funds and multi asset	Active	The Trustee expects the Investment Manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its Investment Manager, to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
Corporate bonds	Active	The Trustee expects the Investment Manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its Investment Manager, to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Government bonds	Passive	The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Policy for taking into account non-financial ESG considerations

Trustee’s Policy: Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to

consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year.

Policy on the exercise of voting rights and engagement activities

Trustee's Policy: The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee cannot exercise its responsibilities directly as it does not hold investments in its name. The Trustee expects its Investment Managers, to exercise voting rights on all resolutions at annual and extraordinary general meetings of companies. The Trustee has seen the policy objectives of each of the Investment Managers regarding voting and engagement and believes that they are compatible with its own policy. The Trustee expects the Investment Manager to report to it on the implementation of, and any changes to, their policies on voting and engagement.

The Trustee expects its Investment Managers, to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee will assess the stewardship and engagement activity of its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the Investment Manager's voting and engagement policy, summary reports detailing the engagement and voting activity undertaken by the Investment Managers, and asking questions directly to the Investment Managers.

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to LGIM, as the Trustee does not have the administrative mechanism to cast votes on the underlying holdings, given the pooled nature of the Scheme's investments.

The Trustee currently invests in pooled investment funds with LGIM, and they acknowledge that this limits their ability to directly influence the Investment Manager.

The Trustee has employed Broadstone to assist them in monitoring the voting and engagement activity of their Investment Managers. The Trustee, with the assistance of Broadstone, concluded that the voting and engagement activity of its Investment Managers is in line with its policy on voting and engagement.

Within the current investment arrangements, the LGIM Dynamic Diversified Growth Fund in the DB section and LGIM Target Date Funds in the DC section will contain equity holdings, and therefore have voting rights attached to these underlying equities.

LGIM employ the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third party proxy voter used are confirmed in the table below.

The Trustee has delegated engagement activities to LGIM, who will report to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings.

A summary of the votes made by LGIM on behalf of the Trustee (where the investment owns equities) is provided in the table below from 1 April 2020 to 31 March 2021, based on the latest information available.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Manager uses own voting policy?	Resolutions Voted On	Resolutions Voted:		
					For	Against	Abstained
LGIM	Pooled	ISS	Yes	77,062	81%	18%	1%

The votes above are at the company level, rather than being scheme or fund specific. The Trustee will work with LGIM to obtain this information in future years.

LGIM provided examples of significant votes cast:

- LGIM voted against a resolution to ratify the compensation for AmerisourceBergen Corporation’s CEO. The company recorded a \$6.6 billion charge related to opioid lawsuits and made an operating loss of \$5.1 billion. By excluding the settlement costs relating to the lawsuits, the Compensation Committee ensured executive pay was not impacted by the operating loss and as a result its CEO’s total proposed compensation was approximately 25% higher than the previous year. The resolution encountered a significant amount of opposing votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal. LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.
- LGIM voted against a number of resolutions in relation to electing Directors at Samsung Electronics. In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds. LGIM engaged with the company ahead of the vote and were not satisfied with the independence of the company board and whether the independent directors are really able to challenge management. LGIM voted against the resolutions as the directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. LGIM stated the inaction is indicative of a material failure of governance and oversight at the company.

A notable engagement activity of LGIM is provided below:

- **LGIM** engaged with Amazon after they were made aware Amazon had been interfering with its workforce’s efforts to unionise, ahead of a workforce vote on unionisation. LGIM, along with 70 other investors with a total AUM of \$6.4trillion, signed a letter to Amazon emphasising that they should meet the expectations set out in the UN Guiding Principles on Business & Human Rights, and that workers should be free to exercise their freedom of association and right to collective bargaining. This action resulted in Amazon launching its first Global Human

Rights Principles and also commissioning a human rights impact assessment by an external consultant. Despite the moves, LGIM still retain concerns on how they will meet these commitments and will continue to engage with the company on the matter.

The Trustee is comfortable with LGIM's approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustee also considers the Investment Managers' policies on stewardship and engagement when selecting and reviewing Investment Managers.

Monitoring of Investment Arrangements

In addition to any reviews of Investment Managers or approaches, and direct engagement with Investment Managers (as detailed above), the Trustee receives performance reports from LGIM for the DB section on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed: Alex Davies

Date: 17 September 2021

On behalf of the Trustee of the Keytec (GB) Limited Retirement Benefits and Life Assurance Scheme