The Mouchel Staff Pension Scheme

Implementation Statement

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering both the Defined Contribution ("DC") and Defined Benefit ("DB") sections of the Mouchel Staff Pension Scheme ("the Scheme").

This Implementation Statement covers the Scheme year from 1 April 2020 to 31 March 2021. It sets out:

- Details of any review of and/or changes made to the Scheme's DB Statement of Investment Principles ("DB Section SIP") and DC Section Statement of Investment Principles ("DC Section SIP") (the "SIPs") ;
- How, including the extent to which, in the opinion of the Trustee, the Scheme's SIPs have been followed over the year;
- How, including the extent to which, the Trustee's policies on exercising voting rights and engagement have been followed over the year; and
- The voting by or on behalf of the Trustee, including the most significant votes cast and any use of a proxy.

The Trustee believes that it has acted in accordance with and followed the policies set out in the SIPs over the Scheme year.

2. Review of the SIPs and subsequent changes during the Scheme year 1/4/2020-31/3/2021

The Trustee reviewed the DB Section SIP and DC Section SIP during the year to 31 March 2021, with updated versions coming into effect during September 2020 following a consultation with the Sponsoring Employer. The SIPs had last been updated in September 2019, so reviewing each SIP in 2020 fulfilled the Trustee's obligations under Regulation 2(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

The key updates made as part of these reviews were to develop further the Trustee's policy on 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 SIPs were formed following subsequent discussions.

The Trustee has added policies to the Scheme's SIPs to cover the following stewardship points:

- how the Trustee incentivises managers to align their investment strategy with the Trustee's own;
- how they incentivise the manager to assess investee companies' medium to long-term financial and non-financial performance, and engage accordingly;
- how the method and time horizon for evaluating the manager's performance, and the basis of its remuneration, are aligned with the Trustee's other investment policies;
- how the Trustee monitors portfolio turnover costs incurred;
- the duration of their management arrangement.

The DB SIP was also updated at the same time to reflect the amended investment strategy.

3. Implementation of the Trustee's policies during the Scheme year

The tables below set out the actions taken by the Trustee over the year to 31 March 2021 in order to follow various policies within the SIPs.

SIP policies relating to the Scheme which the Trustee considered the most material in the Scheme Year

Policy	Trustee actions over the Scheme year
DB and DC Section	
Investment governance	The Trustee has governed the Scheme in line with the SIPs. The SIPs set out that the Trustee will hold regular Investment meetings each year in relation to the DB and DC sections – these meetings provide an opportunity for the Trustee to maintain sufficient understanding of the investment strategy to discharge its responsibilities appropriately and to demonstrate consultation with the Sponsoring Employer, in respect of the DB section. These were held through this Scheme year. The Trustee has met multiple times over the year to discuss investment matters. As well as the quarterly Trustee meetings, ad-hoc meetings were set up to discuss funding position and investment strategy in light of market volatility due to COVID-19. This has allowed the Trustee to make the important decisions on investment strategy and implementation. There have been no changes to the Scheme's investment governance policy over the Scheme Year as a result of these meetings. Over the Scheme year from 1 April 2020 to 31 March 2021, the following training sessions have been delivered to the Trustee, in relation to the DB section: ▪ August 2020 – Structured Equity training ▪ November 2020 – Investment strategy and Long-term funding target (3 sessions over the year) ▪ February 2021 – Settlement Options (Consolidators\buy-out\longevity swaps) Over the Scheme year, the Trustee also received quarterly information on the performance of the investment strategy of the DB and DC sections from its Investment Adviser. This information was formally reviewed by the Trustee and discussed with the Investment Advisers. During these discussions the Trustee considered the key portfolio activity over the reporting period and the rationale for any portfolio changes, as well as the key contributors and detractors to investment performance over the period. The Trustee is required to review the SIPs at least every three years or without delay after any significant change in the Trustee's investment policy. This review was undertaken in September 2020 with changes as described elsewhere in this Implementation Statement. The Trustee is comfortable with the performance of the investment strategies during the Scheme year. The DB section significantly outperformed its liability related objective over the year to 31 March 2021. The DC Section's default strategy performed broadly in line with its benchmark over the year to 31 March 2021.
Corporate Governance and Stewardship	The Trustee is responsible for the investment of the DB and DC Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and it believes that this ensures it is appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy but has delegated the day-to-day investment of the Scheme's assets, within pre-defined constraints to professional Investment Managers. The Trustee, with advice from their advisers, appoints and monitors the Scheme's Investment Managers. The Trustee and Investment Adviser undertake regular reviews of the Investment Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees. The Investment Adviser and Trustee review the governance structures of the Investment Manager, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested. The SIPs also set out that the Trustee will periodically review the Investment Adviser for elements such as performance and value for money using the Investment Adviser. The Trustee has set objectives for its Investment Adviser, River and Mercantile Solutions ("R&M"), and monitors its performance against these objectives periodically.

Policy	Trustee actions over the Scheme year
	The Trustee is comfortable that the policies related to Corporate Governance and Stewardship highlighted in the SIP have been complied with and the investment manager has undertaken regular reviews as noted above.
Financially material factors specifically ESG and climate change	In respect of the DB and DC sections, the Trustee delegates the day-to-day consideration of financially material factors to the Investment Managers who consider these when constructing their portfolios. All references to ESG relate to financial factors only. All references to ESG also include climate change. ESG factors and stewardship are considered, in the context of long-term performance, by the Trustee as part of the Investment Manager selection criteria. This review occurs before Investment Managers are approved for investment in the portfolio. Once an Investment Manager is appointed, the Investment Adviser and Trustee will monitor the Investment Manager for ongoing compliance with the expected standards at appointment and with other factors, such as stewardship, as a part of overall governance and engagement. The SIPs were changed in 2019 and 2020 to reflect new regulatory requirements relating to financially material factors (including ESG and climate change). This section considers the actions taken and decisions made in connection with those changes. The Investment Managers, who take investment decisions on behalf of the Trustee, are expected to follow the Trustee's SIPs in respect of financially material factors, specifically ESG and climate change. Where the Investment Committee selects Investment Managers where it cannot directly influence ESG factors, how an Investment Manager evaluates ESG factors and mitigates ESG risks forms an important part of the Investment Advisor's evaluation at both investment and operational due-diligence stages. This may lead to the exclusion of potential Investment Managers. The Trustee is comfortable that the policies related to financially material factors discussed in the SIPs have been complied with and appropriate ESG monitoring is being carried out by the investment Adviser.
Monitoring	The Trustee is satisfied it has complied with the SIPs as set out below. Over the year the Trustee has monitored the Investment Managers of the DB and DC sections on a quarterly basis against the objectives set by the Trustee. As a result of the volatile market conditions experienced over 2020, the Trustee, with the assistance of R&M, monitored the underlying managers' performances and aspects of their investment strategies in detail throughout the year. For the DB Section the Trustee monitored the overall strategy and funding level at least quarterly over the year. Over the year, the Scheme's Funding Level on a 'technical provisions' basis has materially improved: This reflects very strong performance for the DB Section's growth orientated assets aligned with the liability hedging strategy reducing funding position volatility. The Trustee is required to review the SIPs at least every three years and this was undertaken in September 2020 with changes made as described elsewhere in this document. In addition, the Sponsoring Employer's covenant was also monitored throughout the year by specialist covenant advisers.
Risk management	These sections of the SIPs set out how risks are monitored and managed within the Scheme. Many of these aspects are also covered in various other parts of the SIPs and hence in this section there may be some repetition from other parts of the Implementation Statement. As a result, the Trustee covers only the most material risks here. The Trustee is satisfied that risks are monitored in line with the SIPs on the basis set out below. In the DB section, the key risk considered is funding and asset/liability mismatch risk – i.e. the risk that the Scheme's funding position will not improve over time as expected. This is mitigated primarily through setting an investment objective relative to a Liability Benchmark, which the Trustee monitors on a quarterly basis, and adopting an investment strategy which hedges interest rate and inflation risks linked to the valuation of the liabilities. Over the year to 31 March 2021, the Scheme's liability hedging strategy has protected against interest rate and inflation movements. The Scheme has materially outperformed its Liability Benchmark over the year due to strong

Policy	Trustee actions over the Scheme year
	performance of the Scheme's growth assets. This risk of underperformance is also mitigated by targeting an investment return which is slightly higher than the discount rate assumed in the calculation of the Scheme's liabilities on a 'technical provisions' basis, mitigating the risk that actual investment experience is worse than the actuarial assumptions have assumed. During the year a review of the investment strategy considered cash flow management and Sponsoring Employer risk through the Trustee's ongoing work in respect of integrated risk management. In the DC section, risks associated to the investments are set out below: ▪ Value for Members Risk ▪ Inflation Risk ▪ Pension Purchase Risk ▪ Capital Risk ▪ Active Manager Risk ▪ Platform Risk ▪ Communication Risk ▪ Inappropriate Member Decision ▪ Organisational Risk ▪ Liquidity Risk ▪ ESG Risk The Trustee identifies, evaluates, manages and monitors these risks on an ongoing basis. The default arrangement's risk characteristics (volatility of returns) were within tolerances monitored by the Investment Adviser. The self-select funds, which comprise passively-managed funds, effectively tracked their respective benchmarks gross of fees. The Trustee is comfortable that the policies related to risk management have been complied with in line with the SIP and the Investment Adviser has monitored the above risks.
Non-financially material factors	In line with the SIPs, the Trustee does not at present take into account non-financial matters (such as members' ethical considerations or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold.
DB section	
Investment strategy	The overall objective of the Scheme is to meet the benefit payments promised as they fall due and to do so the investment strategy is set with regard to the level of investment risk and return deemed appropriate, taking into account wider risks, for example, the Sponsoring Employer's covenant. The Trustee, with advice from various advisers, has monitored this over the Scheme Year. The Trustee sets the overall investment strategy for the Scheme to achieve its investment objective. The Trustee has appointed R&M as the Investment Adviser to advise on the Scheme's investment strategy. R&M advises the Trustee as well on decisions such as to appoint, monitor and change the Investment Managers in line with the investment strategy. Implementation is discussed in the next section. As discussed above, a key element of the investment strategy is to hedge interest rate and inflation risks linked to the valuation of the liabilities. The Trustee remains responsible for high level strategic parameters, including: ▪ Defining a suitable liability related return objective; and ▪ Agreeing the high-level strategic asset allocation. The changes to the investment strategy over the Scheme Year are described in the section below.
Strategy implementation	During the Scheme year the Scheme's target return has remained unchanged at Gilts + 1.8% p.a consistent with Funding objectives. The current strategy consists of: ▪ Growth Assets, which aim to deliver outperformance relative to a cash benchmark, consisting of the following building blocks:

Policy	Trustee actions over the Scheme year
	○ Market Return portfolio, which aims to retain directional exposure to deliver higher return over the long term; ○ Stable Return portfolio, which aims to generate additional return with lower volatility; ○ Cashflow Related portfolio, which aims to increase over time to address negative net cash flow needs. ▪ A Liability Hedge portfolio aiming to broadly mirror the movements in the liabilities of the Scheme owing to changes in interest rates and inflation expectations, thereby helping to stabilise the Scheme's funding level over time. Over the Scheme year, the following changes were made to the strategy: ▪ Interest rate and inflation liability hedge ratio was increased to 100% of the Technical Provisions liabilities. ▪ The Scheme's allocation to Cashflow Matching Credit was increased to meet cashflow obligations over the next 5-10 years. ▪ An additional equity derivative structure was introduced in September 2020. Currently the Scheme has 2 structured equity structures that are both managed by BMO.

Key policy	Trustee actions over the Scheme year
DC section	
Default Investment Strategy and self-select range	The Trustee's investment objectives set out in the SIP are to: ▪ provide a default investment strategy that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default strategy is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement; and ▪ provide an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement. During the 2020/21 Scheme year, the Trustee did not formally review or make changes to the DC Section's investment strategy. A strategy review is due to be carried out during the 2021/22 Scheme year. The Trustee remains comfortable the investment strategy reflects the needs of the DC Section membership. In particular: ▪ a default strategy which gradually de-risks members investments as they approach retirement, and reflects inflation-related investment return targets which are aligned to members expected retirement income requirements; and ▪ a self-select fund range offering outside the default strategy that offers members a reasonable choice of asset classes and risk-based options, without the range being so large as to be overwhelming and hinder member decision-making. During the Scheme year, the Trustee received advice from its Investment Adviser on moving the scheme to the Aegon Master Trust, but the default strategy was not impacted as part of the proposed transition.
Strategy implementation	The Trustee has chosen to incorporate active management within the default arrangement, through its Investment Adviser. This is aligned with the Trustee's investment belief that active management can add value by managing risk during adverse market conditions, and taking advantage of investment opportunities to generate return, subject to the agreed risk tolerances of the default arrangement's funds. The Trustee has chosen to incorporate passive management within the self-select fund range (aside from the self-select lifestyle profiles, which have a similar de-risking and investment approach to the default). The Trustee believes passive management offers low cost, effective access to the core range of asset classes offered within the range, for those members actively choosing to access those asset classes.

Key policy	Trustee actions over the Scheme year
	The policies set out above were unchanged during the Scheme year. The Trustee receives quarterly reports from the DC Section's administrators that enable it to monitor the administration service and, in particular, that agreed service levels are being met in relation to the accuracy and timeliness of core financial transactions, including correct investment of ongoing contributions. Further detail regarding the processing of core financial transactions over the year is set out in the DC Governance statement ("chair's statement"). The Trustee is required to assess the extent to which member-borne charges and ongoing transaction costs represent good value for members. The Trustee has reviewed this in respect of the Scheme year and concluded good value for members is demonstrated by the DC Section. This review accounted for investment performance (including risk management characteristics of the strategy) after the impact of costs and charges, a comparison of fund charges against similar funds in the industry and the service levels provided to members through the DC Section. Further information regarding the Trustee's assessment of value for members is set out in the DC Section Governance Statement ("chair's statement").

4. Background to voting practices and procedures

The Trustee's investment advice for both the DB and DC sections is provided by River and Mercantile Investments Limited ("RAMIL"), a division of the River and Mercantile Group. The River and Mercantile Group is a PRI signatory and was rated A+ by PRI for their Strategy and Governance. Monitoring of voting and engagement activity in relation to the DB section was carried out by RAMIL over the Scheme year through regular investment and operational due diligence meetings with underlying managers.

DB section

The DB Section of the Scheme's investments are made via pooled investment funds, in which the DB Section's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue the underlying securities, monitoring and voting, whether for corporate governance purposes or other financially material considerations, is delegated to the underlying Investment Managers.

The Trustee believes it is appropriate to delegate voting and engagements decisions to their Investment Managers in order to achieve an integrated and joined up approach to ESG factors, voting and engagement together. In this way as the Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustee, the Trustee is satisfied that the Investment Managers can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). The Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time.

DC section

The DC Section of the Scheme's investments are made via pooled investment funds via the Platform Manager, Aegon, in which the DC Section's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue the underlying securities, monitoring and voting, whether for corporate governance purposes or other financially material considerations, is delegated to the underlying Investment Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their underlying Manager holdings to Aegon, which implements its fund voting policy.

At the fund manager level, Aegon holds voting rights, and at the underlying company/stock level, the underlying fund manager holds the voting and engagement rights.

To ensure all relevant voting and engagement is covered, this statement includes information on Aegon's voting and engagement record (with respect to the DC Section and voting at the fund manager level) as well as those of the underlying managers. Where proxy voting agents have been used, this has been included in the voting information.

5. Trustee's conclusions on voting & engagement

For the DB Section, the Scheme's asset allocation is split into two key components. The first component, Growth Assets, invest in a diversified range of return-seeking assets, including equity, multi-asset, return seeking credit and alternatives. The second component, Matching Assets (including Structured Equity), is focussed on risk management comprising gilts and derivative instruments (liability hedging and Structured Equity) alongside high quality credit strategies to match pension payments.

The Trustee has reviewed the voting and engagement activity undertaken by the Investment Managers. Most of the voting and engagement activity was in relation to the Scheme's Growth Assets, specifically equity mandates during the Scheme Year. Within the Matching Assets, engagement was less prevalent due to the nature of the underlying investment held, with limited or no opportunity to undertake such engagement.

For the DC Section, the platform provider, Aegon did not vote on behalf of the Trustee. This is due to their policy not to vote/engage at the fund level as they cannot represent all their underlying investors that way. This is common practice in the industry.

The key areas that the Trustee notes from the voting and engagement activity across the Scheme's Investment Managers in the DB Section are set out below:

- Most managers were able to provide evidence of high levels of engagement activity.
- The common themes over the Scheme year were environmental issues, (climate strategy in particular), executive pay and board diversity.
- Within the credit mandates, there was particular focus on climate change related risks, including discussions with companies on their carbon emissions along their supply chain.
- Each relevant manager demonstrated very high levels of voting rights being acted on.
- Challenge to management was demonstrated through votes against management.
- Significant votes provided were typically in relation to board remuneration.
- In relation to the liability hedging and Structured Equity mandates, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and those used when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, as well as ESG scores for counterparties are regularly monitored by the relevant underlying investment Managers.

6. Growth Assets – DB Section only

6a. Voting in relation to underlying pooled funds, on behalf of the Trustee

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in through pooled funds managed by underlying Investment Managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Investment Adviser on behalf of the Trustee and we cover these here.

We estimate that the RAMIL Investment Research team engaged with Investment Managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, auditor tenure and fund costs.

6b. Underlying Managers' voting on securities, on behalf of the Trustee

There were 11 managers in the portfolio as at 31 March 2021. However, only allocations which are at or above c.2.5% of Total Portfolio as at 31 March 2021 are considered in detail below:

Manager	Asset Class	Sub Asset Class	Fund	% of Total Portfolio
1	Equity	Global	M&G Global Dividend Fund	2.8%
2	Equity	Global	Morgan Stanley Global Brands Fund	5.0%
3	Multi-Asset	Dynamic Asset Allocation	PineBridge Global Dynamic Asset Allocation Fund	2.6%
4	Multi-Asset	Dynamic Asset Allocation	Threadneedle Dynamic Real Return Fund	5.2%
5	Property	Global Property	CB Richard Ellis Global Alpha Fund	3.0%
6	Alternatives	Insurance Linked Securities	Leadenhall Life Insurance Linked Investment Fund	4.8%

Details of voting statistics on the relevant mandates, where available is set out below:

Equity voting statistics	M&G Global Dividend Fund	Morgan Stanley Global Brands Fund	PineBridge Global Dynamic Asset Allocation Fund	Threadneedle Dynamic Real Return Fund
Total meetings eligible to vote	45	794	2921	358
Total resolutions eligible to vote	780	9495	33015	4659
% of resolutions did you vote on for which you were eligible?	100.0%	100.0%	98.5%	98.8%
% did vote with management?	88.0%	71.8%	89.2%	91.3%
% vote against management?	12.1%	28.2%	8.0%	6.3%
% abstained	1.0%	0.0%	0.9%	2.4%
% of meetings, for which you did vote, did you vote at least once against management?	73.0%	7.8%	0.4%	49.4%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	10.5%	0.3%	7.6%	n/a

Source: All data in this section has been provided by the relevant Investment Managers.

6c. Engagement examples and most significant votes cast

The Trustee has set out below what each of the Investment Managers identified above consider to be their significant votes and engagement activities.

Asset Class: Equity

Manager 1 - M&G Global Dividend Fund

St. James's Place Plc

- M&G abstained from voting on a resolution to re-elect Iain Cornish, the Chair, as Director.
- M&G shared its voting intentions with the Company prior to the vote. The rationale for the vote was due to concerns over remuneration and the dividend policy.
- This vote is considered significant as it is highly sensitive to stakeholders.

Novo Nordisk A/S

- M&G have voted **against** the resolution to amend guidelines for Incentive-Based Compensation for Executive Management and Board.
- M&G did not share its voting intentions with any parties internally or externally prior to the vote. The rationale for the vote was that they were against the policy of severance exceeding two years.
- This vote is considered significant as it is a vote concerning remuneration.

Manager 2 - Morgan Stanley Investment Management: Global Brand Fund

Reckitt Benckiser Group Plc

- MSIM have voted **against** the resolution to approve the remuneration report.
- MSIM did not share its voting intentions with any parties internally or externally prior to the vote. They voted against the management on the basis that there were concerns with the short-term and long-term performance metrics of the company.
- The resolution was passed, though MSIM will continue to engage on the topics.
- This vote is considered significant as it is a vote against the management.

RELX plc

- MSIM have voted **against** the resolution to increase the borrowing limit under the Company's Articles of Association.
- MSIM did not share its voting intentions with any parties internally or externally prior to the vote. They voted against the management on the basis that the increase to the borrowing powers is considered excessive.
- The resolution was passed, though MSIM will continue to engage on the topics.
- This vote is considered significant as it is a vote against the management.

Multi-Assets – Dynamic Asset Allocation

Manager 3 - PineBridge Global Dynamic Asset Allocation Fund

The Boeing Company

- PineBridge voted **against** the resolution to re-elect long-time directors Collins, Giambastiani, Schwab and Williams.
- The rationale for this vote is that this was warranted due to the board's failure to exercise sufficient oversight of management strategy and corporate culture.
- The outcome of this vote was that Collins and Schwab are both no longer on the board of directors while Williams and Giambastiani remain on the board.
- This vote is considered significant as it is a vote against the management on an important issue.

Azimut Holding SpA

- PineBridge voted **against** the resolution to approve the Remuneration policy.
- The rationale for this vote is that the company failed to establish clear links between variable awards and the company's performance. Non-executive directors are participating in variable remuneration schemes. The level of pay for the CEO and/or other executive directors is excessive relative to peers, company performance, and/or market practice.

- The outcome of the vote is that in 2020 the remuneration report was again defeated; securing only 42.38% of approval from shareholders.
- This was a positive outcome as compensation was not aligned with performance. PineBridge will continue to monitor compensation recommendations that are out of line with performance.
- This vote is considered significant as it is a vote against the management on an important issue.

Engagement example which lead to a successful outcome over the last 12 months is included below:

- Environmental impact is a key investment risk. Companies that lack a strategy to keep improving and have a poor track record relative to peers are likely to suffer competitive disadvantages, and they could face significant penalties that put their businesses at risk as environmental policies become more stringent globally.

- PineBridge portfolio managers have engaged with a UK-based textile company to address the environmental impact of the textile and apparel industries, given the large amounts of water and energy used in textile manufacturing. The company is among the world's largest textile suppliers, with a relatively new CEO who is now focusing on the team's leadership to improve process efficiency. The company has embarked on a strategy to address these concerns by reducing waste and resource utilization through factory automation and supply-chain management that are unmatched by smaller peers. We believe further consolidation in the industry will lead to better resource utilization, and this company is likely to emerge as a key beneficiary through even greater scale and will improve its operating margins through higher efficiency, while reducing its environmental impact in this key industry.

Engagement example that did not work out as expected over the past 12 months is included below:

- PineBridge engaged with a large, highly innovative provider of computer vision technology based in Europe with respect to strategic decisions on governance.

- The company was already highly levered due to past acquisitions and proceeded to increase its leverage further through a decision to build a new manufacturing facility speculatively rather than to pay down debt as had been the expectation. Due to PineBridge's deep knowledge of this industry, they expressed their concern on the strategy to build rather than outsource the additional demand to contract manufacturers given the state of the company's balance sheet.

- Their concerns came true unfortunately due to order cancellations which meant that the new factory sat largely idle and the stock fell heavily over several quarters with the burden of debt and the uncertain demand outlook. PineBridge escalated their engagement by visiting the management team of the company in their offices in Europe, ensuring that they were joined on the visit by some of the company's largest shareholders so that their views were heard widely which would be expressed through shareholder votes against management. Rather that scaling back their capital expenditure plans, PineBridge were surprised that the management took the opposite route and announced a hostile take-over of another company. After almost a year of arduous engagement with the top management team, PineBridge had no choice but to exit the stock.

Other investor rights which have been exercised over 12 months period is included below:

- For equity investments, an ongoing forum between investors and management enables PineBridge to have an impact on stewardship and ESG outcomes. Their first approach is to arrange further meetings with management or, if this is difficult, with the company's advisors; in these meetings, PineBridge seek to work collaboratively with management to improve outcomes.

- In India and Korea and parts of Asia, they make sure to be at the table when there is a significant issue by attending general meetings in person and vocalising our views to reach consensus with other investors and help to sway management. Annual general meetings (AGMs) provide them with an audience of not just the executives running the company, but the entire board of directors; in this way, if their view, suggestion, or idea is noteworthy, it could be implemented quite rapidly even if the executives have reservations. AGMs are attended by shareholders who really care about the company and thus provide an ideal platform to make their views public.

Manager 4 - Columbia Threadneedle Investments Dynamic Real Return Fund

Rio Tinto

- Threadneedle team has engaged with the company on its corporate governance and social risk management aspect over last 12 months;
- The team felt Rio Tinto's destruction of Juukan Gorge in Australia raised many questions around the company's conduct, governance mechanisms and management of relationships with local communities and traditional owners.
- The team led virtual meetings with the company's chairman and Investor Relations Team during the second half of 2020, attended by representatives from multiple investment desks. They have learnt that there have been multiple process changes following the destruction of Juukan Gorge, with more to come over the longer-term. Efforts are focused on reviewing sites and agreements in place with the traditional owner groups. The site-specific risk register has been made more dynamic and institutional memory more robust. An internal employee review is ongoing and a programme is in place to ensure risks around culture are perceived to be as important as risks around health and safety.
- Threadneedle will continue to monitor the situation and review periodically.

Uber Technologies, inc

- Threadneedle team has engaged with the company on its ESG risk management.
- The team assessed the company on ESG risk and deemed it was material, given impending California legislation on employee classification threatened to upend the company's business model.
- The team organised and led four video conferences alongside fundamental analysts and portfolio managers with company management, plus the chair of the board of directors, each with a different primary focus and objective. The team has learnt that Uber has recently placed considerable effort around initiatives and programs to manage and measure ESG risk, which will reduce the company's overall risk profile and may contribute to multiple expansion over time. Interest in investor feedback is high, as is sincerity in improving outcomes for employees and society.
- Threadneedle concluded the engagements with increased comfort in the company's prospects and business model, and the board's commitment to continue enhancements to ESG initiatives and executive compensation.

Alternatives

The alternative nature of these funds means investments tend not to be publicly listed and as such voting is not relevant. As such, no significant votes have been provided by the below managers.

Manager 5 – CBRE Global Alpha Fund

In Q1 2021, CBRE engaged with all the underlying fund managers and operating partners of the investments within Global Alpha Fund. CBRE approach underlying fund managers for details on their approach to ESG matters through a due diligence questionnaire. This data is collated at both the manager and fund level.

- The outputs from the questionnaire are then used within their ESG Assessment Framework alongside a review of the manager's GRESB and Principles for Responsible Investment ("PRI") reports. The Framework provides a comprehensive assessment of the manager's ESG strategy, performance and improvement ambitions. Results of this assessment are then compared with the Firm's ESG maturity matrix to identify future ESG risks and opportunities and to develop a targeted engagement strategy for each investment.
- During the past year, CBRE also encouraged all underlying managers to respond to the new GRESB Resilience Module and utilize the new Carbon Risk Real Estate Monitor ("CRREM") tool, both of which will help them evaluate the extent to which underlying managers are responding to climate change related risks.

Property fund manager A

- CBRE engaged with the Fund Manager, the CEO and the executive Chairman. Initially they required minimum building certification ratings for all existing assets and new developments. CBRE encouraged them to adopt third party tools for benchmarking and to make use of ESG consultants. More recently, they have worked with them on the establishment of net zero carbon targets and the preparation of a roadmap to achieve this by 2025.
- As a result of their engagement, CBRE have seen the adoption by the manager of significant ESG tools, an improvement to their investment processes and reporting to include ESG, a review of their business operations and employee engagement, targets being set for carbon neutrality (to be finalised soon) and an increased focus on climate change and resilience. Every

investment assumes the retrofitting of sustainability initiatives and capital upgrades to improve the asset's environmental performance. The outcome has a wide social and environmental benefit as well as helping to preserve the financial value of the assets under management.

- CBRE are encouraging the manager to build on their work to date and implement their comprehensive action plan, which includes both suppliers and tenants, to have additional impact.

Manager 6 - Leadenhall Life Insurance Linked Investment Fund

Leadenhall's ESG process is embedded in the Investment Adviser's structuring and measurement of risk. As part of this, Leadenhall engage counterparties in discussions around climate change research and measurement, as well as engage in dialogue on social factors and governance. This has evolved over the last 12 months and between research and discussions with counterparties they have more information on risk for our Portfolio Managers to use in making decisions.

Two examples of counter parties Leadenhall have dealt with on ESG was an Australian distributor of life insurance products and a German hybrid insurer/reinsurers. Leadenhall have also included an example of how they have used their due diligence process to highlight governance issue for some Non-Life counterparties. They are reviewed with regards to the strength of their ESG support by each pillar as follows:

Environmental

The main environmental issues with which Leadenhall were concerned, covered how the respective entities impact the environment. In the case of the distributor, as they lack an investment portfolio, this focused on the specifics of their physical operations, with a reduction of commuting and business travel a demonstrable goal. Given the COVID crisis, the distributor had implemented a broader work from home process and already had a digital/phone based marketing approach minimising business travel.

The German insurer/reinsurer has an exceptional focus on environmental issues and its parent group majority investor is a signatory to the UN PRI. Leadenhall are comfortable that their investment screening process removes the risk of investments that they may make falling afoul of our environmental goals. They also have an active disclosure of the carbon footprint in their financials and extensive section of their website describing their underwriting and investment policies with regard to sustainability. All of this was shared during the due diligence process.

As noted in prior submissions Leadenhall also continue their participation and sponsorship of the Climate Measurement Standard Initiative in Australia (CMSI). CMSI is an industry-led collaboration between insurers, banks, scientists, regulators, reporting standard professionals, service providers and supporting parties in a first step to provide a common understanding regarding future damage to residential and commercial properties by climate-related phenomena.

Social

Insurance is generally perceived as having a beneficial impact on society, by facilitating industries to operate and providing much needed aid in times of catastrophe.

Non-Life ILS investments is generally viewed as socially beneficial services as it provides financial resources needed to remedy or to contain the impact of a major insurance event. Life insurance in general is a socially beneficial service and in the case of the specific business which Leadenhall were supporting, it promotes the financial stability of families and dependents.

Additionally, Leadenhall reviewed the human resource practices particularly concerning employee development and turnover. They queried and reviewed both parties turnover and training polices and both invest heavily in people resources with training officers an important part of employee development maintaining high employee retentions as a result (<20% turnover per annum).

Leadenhall also reviewed the corporate volunteering commitment to establish that such was part of their corporate culture. In the case of the German insurer/reinsurer this also related to their high degree of commitment to the arts and culture. Leadenhall further reviewed their complaint process and use of Net Promoter Score to ensure high quality customer service.

Governance

Insurance is a highly regulated business and Leadenhall reviewed both parties' regulatory frameworks for both prudential and behavioural oversight. The distributor is regulated for behaviour but not prudential oversight and in this case had minimal regulatory findings under their last regulatory audit which was shared with Leadenhall. Similarly, the insurer also discussed the findings under both regimes and shared its regulatory findings.

In the last few years, Leadenhall have seen some issues with governance within a few Floridian counterparties. In 2017, Hurricane Irma made landfall in Florida as a Category 4 hurricane. From due diligences that Leadenhall conducted Leadenhall identified 3 Floridian insurance companies with poor governance practices, especially in their claims handling, loss development and additional loss adjusting expenses (ALAE). After the review Leadenhall declined to participate in investments linked to these counterparties and they have highlighted that until there are significant changes in their governance, they will not be participating in investments linked to their reinsurance programmes.

6d. Use of proxy voters

Manager	Used a proxy voter in the Scheme Year?
1	Yes
2	Yes
3	Yes
4	Yes

Additional information on proxy voters

Manager 1 – M&G Global Dividend Fund

M&G utilises the research services of ISS and IVIS. Their voting is instructed through the ISS voting platform, ProxyExchange. They use the ISS custom service to flag resolutions that may not meet their policy guidelines. Voting decisions are taken by the Sustainability and Stewardship at M&G often in consultation with Fund Managers. Some routine resolutions are voted by ISS on their behalf when clear criteria have not been met.

Manager 2 - Morgan Stanley Investment Management: Global Brand Fund

Morgan Stanley Investment Management ("MSIM") has retained ISS to analyse proxy issues and to make vote recommendations on those issues. While MSIM review the recommendations of ISS in making proxy voting decisions, they are in no way obligated to follow such recommendations. MSIM votes all proxies based on its own proxy voting policies in the best interests of each client. In addition to research, ISS provides vote execution, reporting, and recordkeeping services to MSIM.

Manager 3 - PineBridge Global Dynamic Asset Allocation Fund

PineBridge utilises ISS to consult on and administer their proxy voting process. As climate change is a firmwide priority, they have retained ISS's customised climate service, one of the first dozen firms to do so. This service helps to identify portfolio holdings where the current state of being for one of their investments is not at an acceptable level, and where management does not appear committed to an improved path, along with material disclosures that can be tracked to help them evaluate these situations. This is one of the many ways they ensure that they are actively engaging with portfolio holdings that may not be measuring up to the original investment thesis.

Manager 4 - Columbia Threadneedle Investments Dynamic Real Return Fund

Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and their proxy voting practices are implemented through their Proxy Voting Policy. For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis (i.e., mergers and acquisitions, share issuances, proxy contests, etc.), the analyst covering the company or the portfolio manager that owns the company will make the voting decision. Threadneedle utilise the proxy voting research of ISS and Glass Lewis & Co., which is made available to their investment professionals, and their research team will also consult on many voting decisions.

The administration of their proxy voting process is handled by a central point of administration at the firm (the Global Proxy Team). Among other duties, the Global Proxy Team coordinates with their third-party proxy voting and research providers.

In voting proxies on behalf of their clients, they vote in consideration of all relevant factors to support the best economic outcome in the long-run. Their voting is conducted in a controlled environment to protect against undue influence from individuals or outside groups.

7. Matching and Structured Equity Assets – DB Section only

7a. Description of voting behaviour on behalf of the Trustee during the Scheme Year

Manager	Asset Class	Manager	% of Total Portfolio
1	LDI and Structured Equity	BMO Global Asset Management	63.9%
2	Buy and Maintain Bonds	Insight Investments	11.3%

7b. Engagement examples and most significant votes cast

Due to the nature of the below funds, voting is not relevant hence no significant votes have been provided by the managers.

Manager 1 - BMO Global Asset Management portfolios

BMO portfolios are very different to traditional equity or bond portfolios and so their engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom they have the greatest exposure and to companies whom they feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.

BMO identifies specific objectives for their engagement with investee companies. They record specific outcomes where objectives are achieved as "milestones". They report these to clients. Each milestone is rated on a three-star scale related to the extent to which BMO assesses it to protect and enhance investor value.

Engagement themes and relevant examples are:

- Climate Change – BMO engaged with HSBC Holdings Plc on their commitment to align their entire financing portfolio to the goals of the Paris Agreement, and to report on progress. This demonstrates clear climate leadership.
- Corporate Governance – BMO engaged with JP Morgan Chase & Co. to address the departure of a long-standing board member, allaying concerns with excessive tenure and overall appropriateness for the role given previous role as Exxon CEO.
- Labour standards – BMO engaged with Lloyds Banking Group Plc. to encourage them to commit to halve carbon emissions linked to financing activities.

Manager 2 – Insight Buy & Maintain Bond Fund 2021-2025

Insight, as a global asset manager, believe that they must take a proactive role in ensuring the long-term sustainability of the markets – this is in their clients' long-term interests, as well as that of wider society. Long-term initiatives include:

- Active engagement with other industry members to ensure their clients' rights and considerations are fully represented, including:
  - Joining the Net Zero Asset Managers initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gasses. As an organisation, this means they are specifically committing to:
    - As an organisation they are committed to working in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management.
    - Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner.
      - Supporting the acceleration of action, signatories will submit an interim target, within a year of joining the initiative, for the proportion of assets to be managed in line with reaching net zero emissions by 2050 or sooner.
    - Review their interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.
  - Joining the Working Group on Sterling Risk-Free Rates.
  - Participation in climate change related collaborative engagements as an active member of the Climate Action 100+ initiative.
  - Collaboration with peers on a range of issues, such as credit risk and ratings with the PRI initiative.
  - Encouraging issuers to submit their carbon emissions to CDP initiative.
- Development of new sources of repo liquidity - a key issue for pension funds seeking to manage risk efficiently and effectively.

- Challenging the pressure on derivatives users, including pension funds, to post only cash as variation margin on their derivatives transactions - a key issue for pension funds seeking to manage risk effectively over the long term.
- Supported the transition to a low carbon economy by investing in 43 green bonds, and encouraging banks to consider green bond issuance, and through our Advisory Council role with the Green and Social Bond Principles.

Most significant company engagements

ENEL

As part of the CA100+ initiative, Insight continue to encourage ENEL to establish measures to mitigate climate risk and adapt the business for a low carbon economy. Collectively, with the other investors, a letter has been sent to the Chair addressing four key areas; disclosure and investor communications, climate competence of the Board, management incentives, and improvement in scenario analysis. ENEL has been responsive and a follow up call with the Chair has been scheduled so ENEL's team can present solutions and future plans to improve on the areas addressed.

VOLKSWAGEN

Volkswagen (VW) was a UN Global Compact violator, caused by the Diesel-Emission scandal. Nevertheless, it has been recently relisted as a participant to the UNGC following the successful completion of the monitorship overseen by the US Department of Justice. As a result, MSCI has upgraded VW's ESG rating from CCC to B, subsequently stripping its 'worst-in-class' title and exiting most exclusions list.

Insight has been in close contact with VW and has been monitoring the numerous steps the company has taken to improve product quality, governance and corporate structure. The Insight ESG rating remains a 5, expressing our conservative stance, with still some work to be done on the governance front. However, the positive trajectory and significant improvements play an important role in their ESG view of VW.

Insight engaged with VW during the company's ESG roadshow. The meeting was extremely thorough with the discussion covering a broad array of ESG topics. VW's EV strategy is very coherent, entailing a holistic approach although they need to monitor the company's track record. VW plans to spend €73bn on e-mobility in the 2021-2025 period; this includes EV development, tooling, car software systems etc.

Volkswagen's whistle-blower procedure and separation of teams for sign off of projects and software are steps in the right direction. The Dieselgate issue is now backward looking but cash payments remain hefty (€2.5bn). On the Governance aspect, KPIs for executive pay are being introduced from this year and their corporate strategy incorporate the monitoring of the company's ESG ratings. VW gave sound qualitative explanations, but Insight would have liked to be provided with more precise data like specific targets, audit process etc.

The engagement confirmed that VW is making genuine efforts towards improving their ESG profile. Overall, it was a positive engagement which left Insight's analysts confident that VW are on the right trajectory. Nevertheless, they need more concrete evidence to see that things have changed materially.

7c. Use of proxy voters

Manager	Used a proxy voter in the Scheme Year?
1	No
2	No

8. Growth Assets – DC Section only

The default strategy is the BlackRock LifePath Capital fund, a multi-asset strategy which incorporates lifestyling to target retirement at a certain date. The voting information below is based on the BlackRock Lifepath Capital fund 2070-72, which currently has a 100% equity allocation, and therefore offers the greatest scope for voting and engagement among the target date fund (TDF) range offered.

Voting and engagement activity undertaken by BlackRock is set out in the following section.

Equity voting statistics	Blackrock LifePath Capital Fund
Total meetings eligible to vote	6,102
Total resolutions eligible to vote	65,704
% of resolutions did you vote on for which you were eligible?	100.0%
% did vote with management?	92.0%
% vote against management?	7.0%
% abstained	1.0%
% of meetings, for which you did vote, did you vote at least once against management?	33.0%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.0%

Source: All data in this section has been provided by the Investment manager.

8a. Engagement examples and most significant votes cast

The Procter & Gamble Company (P&G)

- P&G received a shareholder proposal requesting a report assessing if and how P&G could increase the scale, pace, and rigour of its efforts to eliminate deforestation and the degradation of intact forests in its supply chains. The proposal places special attention on the company's use of palm oil and forest pulp.
- While BlackRock recognises the company's efforts to date towards enhancing their sustainability and monitoring disclosure reports, they determined that there is room for P&G to improve the frequency and depth of disclosure.
- BlackRock voted for the shareholder proposal on deforestation.

AGL Energy Ltd (AGL)

- On the ballot at its 2020 annual general meeting (AGM), the company received the shareholder proposal submitted by the Australian Center for Corporate Responsibility (ACCR): (7b) Coal Closure Dates.
- While BlackRock recognise the various regulatory challenges and energy generation requirements that AGL faces. Their support for this proposal is intended to encourage the company in its efforts to proactively and ambitiously manage the climate risk in its business model. BlackRock expect that doing so would help offset the potential financial risks and capture some of the opportunities of the global energy transition, thus protecting the long-term economic interest of shareholders.
- BlackRock voted for this proposal as they believe the company, and its shareholders, would benefit from a continued focus on long-term strategic planning covering several decades.

Ovintiv Inc

- Ovintiv received a shareholder proposal requesting that the company issue a report on climate change that "disclose[s] climate-related targets that are aligned with the goal of the Paris Agreement to limit global average temperature increase to well below [2] degrees Celsius relative to pre-industrial levels and pursue efforts to limit the increase to 1.5°C".
- BlackRock voted for the proposal given the materiality of climate risk to the company's business model and the uncertainty regarding the company's near-term timeframe for setting greenhouse gas emissions reduction targets.