

Twyford Bathrooms Pension Scheme - Defined Contribution Section (“the 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 28 September 2020 have been implemented. The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustee’s Chair’s Statement signed 15 June 2021.

This Statement covers the period 1 January 2020 to 31 December 2020.

Investment manager and funds in use

The assets of the Scheme are all invested with LGIM, and the Trustee rates this manager highly for its consideration of Environmental, Social and Governance (ESG) factors as well as its active engagement in respect of the investments it holds. The investment funds used for the Scheme are set out in the tables below:

Asset Class	Manager	Fund
Equities	LGIM	Global Equity 50:50 UK Equity Fund Managed Fund
Multi asset	LGIM	Distribution Fund Multi Asset Fund
Property	LGIM	Property Fund
Corporate bonds	LGIM	Corporate Bond Fund
Government bonds	LGIM	All Stocks Gilts Index Fund Over 15 Year Gilts Fund Index Linked Gilts Fund Over 5 Year Index Linked Gilts Fund
Cash	LGIM	Cash

The default investment strategy, Twyford Lifestyle Profile, used for members invested in the Scheme is set out below:

Default Investment Strategy

Period prior to member’s normal retirement age	Investment Default Approach
Up to 8 years prior to normal retirement age	The approach invests wholly in the Global Equity 50:50 Fund.
From 8 years before normal retirement age	Phased switches are made between the funds to achieve an allocation of 75% in the Multi asset funds and 25% in the Cash Fund by normal retirement age.

Strategy Review

There have been no changes to either the investment manager, target asset allocation for the Scheme, the default investment strategy for members in the Scheme, or self-select options available to members in the Scheme over the year.

The Trustee periodically reviews the investment arrangements of the Scheme, last review completed on November 2019. This included a review of whether the arrangements provide value for members. Further details are set in the Chair's Statement.

Scheme Governance

Governance arrangements, in terms of the constitution of the trustee board, service level agreements with providers, processing of core financial transactions, costs and charges, and investment arrangements, are detailed in the Trustee's Chair's 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 currently actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

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. During the year, the Trustee has met the requirements of Section 247 and 248 of the Pensions Act 2004 (requirement for knowledge and understanding) through training sessions where subjects included: Going concern basis for pension scheme audits, fraud prevention, investment governance, managing longevity risk and buy ins/out.

The Trustee regularly considers its performance and training requirements and its training programme is reviewed annually to ensure it remains up to date and relevant. The Trustee regularly receives advice from its advisers in connection with its ongoing arrangements. The combination of Trustee training, the appointment of a professional trustee and advice from advisers means that the Trustee is able to exercise its function as Trustee of the Scheme. Further details are set out in the Chair's Statement.

Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in September 2020, which was updated to comply with the new investment regulations in relation to Environmental, Social & Governance (ESG) considerations.

The Trustee has a policy on financially material considerations relating to Environmental, Social and Governance (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.

There were no departures from the policies set out in the SIP, including the Trustee's policies on financially and non-financially material considerations, during the year.

Policy on financially material 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 their investment manager, 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 manager.

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.

There have been no changes to the Trustee’s policy, nor any departures from their 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 their 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 the investment manager and input from their investment advisors on ESG matters. These views are also taken into account when appointing new and reviewing current investment manager.

The Trustee acknowledges that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment manager given they are 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
Global equities	Passive	The Trustee acknowledges that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustee does expect the investment manager to engage with its investee companies that form the index on ESG issues in order to promote sustainable long term investment returns. This is done by exercising any voting rights attached to the equity investments and engaging directly with investee companies.
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.

Property	Active	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. However, the Trustee expects the investment manager to have regard to ESG issues when properties are being sold and purchased within the portfolio, together with any opportunities to re-develop existing properties with ESG issues in mind.
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.
Cash	Active	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-financially material 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 their investment manager, 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 expects their investment manager to exercise voting rights at annual and extraordinary general meetings of companies. The Trustee has seen the policy objectives of the investment manager 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 manager, 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 manager (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 manager, and asking questions directly to the investment manager.

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 the investment manager, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

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

The Trustee has employed Broadstone to assist them in monitoring the voting and engagement activity of their investment manager, and a summary of this activity is provided to the Trustee each quarter. The Trustee, with the assistance of Broadstone, concluded that the voting and engagement activity of their investment manager is in line with their policy on voting and engagement.

Within the current investment arrangements, equity funds and multi asset funds contain equity holdings and therefore have voting rights attached to these underlying equities.

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

The Trustee has delegated engagement activities to their investment manager, and each investment manager reports to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings.

A summary of the votes made by the investment manager 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 from the investment manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
LGIM	Pooled	ISS	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 their investment manager to obtain this information in future years.

The notable engagement activity of the investment manager 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 Amazon will meet these commitments and will continue to engage with the company on the matter. The Trustee also considers the investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

The Trustee is comfortable with the investment manager's approach for exercising rights and conducting engagement activities, and specifically that it attempts to maximise shareholder value as a long-term investor.

The Trustee also considers the investment manager's policies on stewardship and engagement when selecting new and reviewing current investment manager.

Monitoring of Investment Arrangements

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

Signed:

Date:

On behalf of the Trustee of the Twyford Bathrooms Pension Scheme