Mencap Pension Trustee Limited Implementation Statement

31 March 2021

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1. Background

In 2019, the government published the Occupational Pension Schemes (Investment and Disclosure Amendment) Regulations 2019.

These regulations introduced new requirements for pension schemes, setting out the policies they need to include in the Statement of Investment Principles (SIP), which is the document that governs the way the Plan's assets are invested. The expanded legislation required the SIP to include the Trustee's policies on how it takes account of Environmental, Social and Corporate Governance (ESG) considerations when setting investment strategy, and how it exercises voting rights, and undertakes engagement activities with, those they invest in.

ESG criteria are a set of non-financial indicators relating to a company's operations that are used by investors to evaluate corporate behaviour and to determine how it may influence the future financial performance of companies. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

In addition, the regulations introduced a requirement for Trustees to produce a statement setting out (amongst other things) how the Trustee has followed the SIP over the year, and in particular how it was implemented its policies on the exercise of voting rights attaching to its investments and engagement activities. This document, referred to as the Implementation Statement, provides information on how, and the extent to which, Mencap Pension Trustee Limited (the "Trustee"), acting as trustee of the Mencap Pension Plan (the "Plan"), have followed good stewardship practices during the 12 months to 31 March 2021.

The Plan has both a Defined Benefit (DB) and Defined Contribution (DC) section within it and the asset values as at 31 March 2021 were £152m and £38m respectively.

2. Defined Benefit (DB) Section

Introduction

The Trustee has appointed Kempen Capital Management (Kempen) as its Fiduciary Manager of the DB Section.

The Trustee recognises its responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to their fiduciary manager and asset managers the exercise of rights attaching to investments (including voting rights), and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and environmental, social and governance (ESG) considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. The Trustee expects the fiduciary manager, Kempen to exercise ownership rights and undertake monitoring and engagement in line with its own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code 2018 and the UK Stewardship Code 2020.

The fiduciary manager expects the underlying asset managers it selects, who are regulated in the UK, to comply with the UK Stewardship Code 2020, including public disclosure of compliance via an external website. For an asset manager to be appointed by Kempen, on behalf of the Trustee, they must also take into consideration Kempen's Responsible Investment and Exclusions policy, which can be found here: https://www.kempen.com/en/asset-management/esg

Governance

The Trustee meets formally every quarter (and more often if required) to consider the progression of the funding position and investment performance. This will include a review of the performance of the assets relative to objectives and underlying risks, the economic outlook, and the manner in which the assets are invested. To aid this review, the Trustee will primarily rely on reports and advice received from Kempen.

Review of SIP

The Trustee reviews the SIP after consultation with their professional advisers at least every three years, and in response to any significant change in professional advisors or investment policy. The SIP was last updated on 1 September 2021.

Adherence to the SIP

The Trustee will monitor compliance with the SIP annually. In particular, they will obtain confirmation from Kempen that they have complied with the SIP insofar as is reasonably practicable and that in exercising any discretion they have done so in accordance with Section 4 of the Occupational Pension Plan (Investment) Regulations 2005.

The Trustee is of the opinion that their investment objectives set out in their SIP have been followed during the year ending 31 March 2021. In particular:

- The Trustee has received reports from Kempen that set out;
    - How Kempen has engaged with asset managers on behalf of the Trustee
    - Kempen's engagement priorities on responsible investing
- The number of companies and managers engaged
  The Trustee has considered Kempen's voting practices and stewardship policies, noting that they are a signatory to the UN Principles for Responsible Investment.
- The Trustee has a process in place to review Kempen's performance against objectives.

In light of the above, the Trustee has considered their investment objectives concerning voting and stewardship and concluded that:

- Kempen's voting and stewardship policies and implementation remain aligned with the Trustee's views on these matters.
- The current investment objectives are appropriate and no further action is required.

3. Kempen's engagement behaviour

The Trustee, via Kempen, encourages the asset managers to actively engage with the companies in which they invest. This engagement is on a number of different topics including but not limited to remuneration policy, corporate governance, transparency, and other ESG topics such as working conditions and climate change. These engagement activities are carried out by each underlying asset manager in accordance with their own responsible investing (RI) policy, while the Trustee also expects Kempen to engage with those asset managers on behalf of the Trustee.

Kempen's engagement with asset managers on behalf of the Trustee is a continuous process. 100% of the Plan's investment assets managed by Kempen are held in pooled funds or cash. Whilst Kempen has limited influence over the asset managers' investment practices where assets are held in pooled funds, they do however encourage their chosen managers to improve their practices and consider ESG factors and their associated risks.

Kempen uses the following methodology to engage with asset managers.

- ESG criteria is assessed based on international conventions and initiatives, such as UN Global Compact and the Principles for Responsible Investment (PRI)
- All managers are screened against ESG criteria before inclusion in the Kempen's approved manager list. For example: does the manager have a responsible investment policy; is the manager open for a dialogue on ESG criteria, and does the manager have exposure to companies that are on Kempen's exclusion & avoidance list?
- All managers are reviewed against ESG criteria on an ongoing basis. For example: are responsible investing considerations continue to be integrated into their investment process; is the manager making progress; is the manager well informed and up-to-speed of ESG criteria and initiatives; and periodic screening of all the underlying equity and debt securities held by managers within their investment products, to check for exclusion candidates.
- Kempen encourages its chosen managers to improve their practices where appropriate

The Trustee, via Kempen, is also involved in various collective engagement initiatives working collaboratively with peer investors and other stakeholder organisations to amplify their combined impact and make transformative change happen on a global scale. Kempen is an active member and a lead investor in a number of collaborative engagements including:

- Climate Action 100+ - An influential investor initiative asking over 100 of the world's largest corporate greenhouse gas emitters to drive, and not impede, the clean energy transition
- EUMEDION - The Dutch Corporate Governance Forum, which led on the development of the Dutch Stewardship Code.
- Platform Living Wage Financials (PLWF) **–** An award-winning investor supported coalition, which Kempen is a co-founder, to monitor and assess textile sector companies and encourage them to enable a living wage for all employees in their supply chain.
- Principles for Responsible Investment (PRI) - The PRI is the world's leading proponent of responsible investment. The Principles were launched in April 2006 and Kempen joined in 2008. Since then the number of signatories has grown from 100 to over 2,300 with a combined AUM of $90 trillion.

- International Corporate Governance Network (ICGN) - An investor-led organisation to promote effective standards of corporate governance and investor stewardship. Kempen is a member of the Board Governance Committee.
- Global Impact Investing Network (GIIN) - An investor network dedicated to increasing the scale and effectiveness of impact investing around the world.
- FCLT - FCLTGlobal is a not-for-profit organization that works to encourage a longer-term focus in business and investment decision-making.
- 300 Club - The 300 Club is a group of leading investment professionals from across the globe, established in 2011 in response to an urgent need to raise uncomfortable and fundamental questions about the very foundations of the investment industry and investing.

Key highlights for 2020

Climate change

The UN estimated last year that global emissions must fall at least 7.6% every year to 2030[1] to limit global warming to 1.5◦C. COVID-19 lockdowns across the world resulted in a reduction in carbon emissions at the start of the pandemic, but these have been steadily climbing up again as industrial activity has returned. A number of nations and corporations announced commitments to become net zero carbon emitters in 2020, including the world's largest CO2 emitter, China.

Kempen has been measuring the carbon footprint of its assets under management since 2017, and in 2020 Kempen published their Climate Change Policy[2], which made them one of the first asset managers to commit to net zero emissions by 2050, along with intermediate ambitions for 2030, and shorter-term objectives to 2025.

2050	LONG-TERM COMMITMENT	Kempen will be a net zero investor.
2030	MID-TERM AMBITION	All of Kempen's listed and non-listed investments to align with Paris Agreement pathway and Dutch *Climate Agreement*.
2025	SHORT-TERM OBJECTIVES	Aligned with Paris Agreement goals pathway and Dutch *Klimaatakkoord* for all listed investments. All liquid asset classes and funds are committed to the pathway. Internal and external fund managers have aligned listed funds to the pathways, including on carbon intensity metrics. Kempen clients, and Van Lanschot private clients advised and encouraged to do the same.

Source: Kempen 2020

[1] https://www.unenvironment.org/resources/emissions-gap-report-2019
[2] Meeting the Climate Challenge | Kempen

By 2020, Kempen's asset management portfolios had become less carbon intensive. As the coverage of the carbon footprint analysis of their assets under management grew to £30.8 billion (2019: £23.3 billion), the total financed carbon emissions stayed at the same level (2020 and 2019: 3.4 million tonnes of CO_2e). The lower carbon footprint was not only seen in their internally managed Kempen funds, but also in externally managed funds as a result of more (institutional) clients preferring to invest in assets with lower carbon intensity. Kempen expect that this development will continue going forward with the increasing ESG and climate focus from regulators.

External managers – general (the Plan's specific managers are noted overleaf)

In recent years, Kempen has been developing a new framework for assessing stewardship and ESG, which culminated in the introduction of their Sustainability Spectrum in 2020. It is used to determine a sustainability score for investee companies and a range of different financial products (e.g. externally managed funds). This helps to define whether the product or service is one that aims only to 'avoid harm' (a score of 3 – which is now a requirement for all external products) or whether it is more ambitious in its sustainability goals.

In 2020, Kempen started to use the new Sustainability Spectrum to score external managers. It was decided that the manager selection and monitoring team would begin by mapping the listed managers they work with. By the end of the year, they had completed scoring for 83 listed funds based on the new framework, which represents around 24% of Kempen's AuM: 2% of the funds scored Basic (score 2); 15% scored Avoid harm (score 3); 7% scored Do better (score 4); <1% scored Do good (score 5). The distribution of the 83 funds' ESG scores between the five Sustainability levels are: 26% Basic; 52% Avoid harm; 18% Do better; and 4% Do good (score 5).

External managers – specific to the Plan

During 2020, on behalf of the Trustee, Kempen engaged with M&G Investments (M&G) with respect to the inclusion of tobacco related issuers within the M&G PP Long Dated Corporate Bond Fund, in which a proportion of the Scheme's assets were invested. Tobacco companies are included on

Kempen's Exclusion and avoidance list[3], which means Kempen actively encourage the external managers it selects to remove tobacco exposure from their products. The Trustee is pleased to report, that as a result of this engagement, M&G agreed to remove all tobacco related exposure from the fund, which was done during Q4 2020. The Trustee has concurrently completed a de-risking exercise, which has removed M&G as an asset manager of the Plan during Q4 2020.

The Plan's holdings are invested in a number of pooled funds. Over the year, these included M&G Investment, Insight Investments, BlackRock iShares, Aberdeen Standard Life and JP Morgan Asset Management. The underlying holdings of these asset managers were not in listed equities – instead the Plan has invested in bonds, property and infrastructure assets, for which there is limited / no voting as part of the engagement activities. We outline in the next section of this report the activities in respect of each manager, insofar as it is relevant to SRD II.

[3] Kempen's Exclusion and avoidance list can be found here Exclusions & avoidance | Kempen

4. Manager voting and engagement behaviour – DB Section

The Shareholder Rights Directive (SRD II) and The UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers' engaging with the companies in which they invest, and stress the importance of exercising shareholder voting rights effectively.

The Trustee encourage all their asset managers to be engaged investors, and furthermore encourage the managers to report on these activities and to disclose information about Responsible Investing on their website and in their client reports.

The intention of this section of the Statement is to provide specific details of the voting and engagement behaviour including examples of some significant votes of the Plan's underlying asset managers, by fund.

The Plan is not a shareholder in equity instruments, either directly or indirectly via pooled investments. There is therefore no voting behaviour to report. However, the Scheme has allocations to fixed income funds managed by M&G Investments (M&G), Aberdeen Standard Investments (ASI), Insight Investment (Insight) and iShares (BlackRock), and during the year, these managers were involved in various engagement activities on behalf of their fund investors.

The remaining holdings in M&G Private Residential Property and JPM Infrastructure were unable to report specific engagement behaviour as covered by SRD II – however this is unsurprising given the asset classes these encompass. Whilst activities covered under SRD II are not noted in this report, the Trustee has reviewed the ESG characteristics of these funds with Kempen.

The Trustee is conscious that some asset managers may not be able to provide voting records for all investment held within certain pooled structures.

1. M&G

Although bond holders normally have less influence than equity holders when engaging with companies, M&G considers it important to engage with issuers of debt regarding material ESG issues, so as to gain a better understanding of the investment risks, and to encourage improved ESG practices.

Over the course of 2020, M&G's Fixed Income team carried our 464 interactions with companies where ESG matters were discussed. In addition, M&G's Stewardship & Sustainability team had 256 additional meetings with company chairs and/or directors and/or executives. Some more specific engagements on behalf of their investors in the M&G Long Dated Corporate Bond Fund are as outlined on the following pages[4]:

M&G is willing to act collectively with other UK and overseas investors where it is in the interest of their clients to do so, and they are therefore supportive of collaborative engagements. As a result, M&G's Stewardship & Sustainability team took part in numerous events related to responsible

[4] Data provided by M&G Investment

investment over 2020. They are also aware that it is important to stay engaged with the market, and they are therefore members of a number if industry working groups and committees[5].

[5] For further information, please see mandg-2020-annual-stewardship-report.pdf, from page 40

Company Name	Associated ESG Pillar	Engagement Objective	Engagement Result
GlaxoSmithKline	Environmental & Social	To discuss its climate change strategy and to enquire into supply chain transparency.	The board now aims to focus more on environmental issues, will decide what environmental positioning it wants to add and build from the ground up. The company does not yet have any climate-related targets linked to incentivisation, but has flagged this to the remuneration committee. The remuneration committee is reviewing how goals are structured and will consider whether changes need to be made. Supply chain disruption has been minimal so far during the Covid-19 pandemic, which demonstrates resilience, transparency and traceability. Supply chains for blockbuster drugs at all nodes are fully mapped for climate risks.
Heathrow Airport	Governance	Discuss our feedback and concerns on the proposed covenant waiver request related to COVID-19 impact. We asked for shareholders to support the business with fresh equity through this period, as we felt that shareholder support would not only protect the business but also send a strong message to employees and to the regulator.	The consent request was approved by bondholders in July and we voted in favour. In our opinion this consent process was primarily an issue of governance. We did not succeed in encouraging shareholders to support the business via injecting fresh equity. Following engagements with management, we were however successful to ensure that bondholders were treated as fairly as possible and the consent fees were work fees rather than being coercive in nature.
EDF	Governance	Find out more information on the Brazilian hydro generation related issues raised in the annual report, to be able to better analyse these.	Improved understanding of recent Brazilan hydro generation issues, as highlighted in 2019 Reference Document. Have also thanked EDF for flagging the issues openly and asked for continued updated/disclosure. We assess that EDF appears to be doing better than ISS implies.

Shell	Social	To determine if M&G agreed with the UN Global Compact red flag, as ascribed by data provider ISS, in relation to oil major Royal Dutch Shell's operations in Nigeria and associated oil spills.	Shell has four businesses in Nigeria, including SPDC, which is a joint venture where Shell has 30% interest and the Nigerian government 55% (the balance is owned by Total, 10%, and Eni, 5%). SPDC owns 4,000km of onshore and shallow water oil and gas pipes in the Niger Delta. In 2019 there were seven operational spills and 156 illegal spills. Shell acts as the operator of the joint-venture, and therefore draws the most scrutiny. Accountability sits with the government, but Shell does not want tthese spills to continue. In response, Shell has put in place a number of actions: CCTV; use of drones; patrolling of the pipelines; and increasing employment prospects for locals in order to discourage oil theft, but the number of illegal spills is increasing. On average 11,000 barrels of oil are stolen or lost per day, the thefts range from a nail in the pipeline and a bucket, up to much more sophisticated theft using pipework and mobile refineries. HYPREP (Hydrocarbon Pollution Restoration Project) was set up in 2016 to remediate the pollution from the oil spills, but the government owns the process and it is far too slow. SPDC has agreed to pay $900m in total, with $360m paid in to HYPREP so far (30% of which has been from Shell), but only $40m has actually been spent. Shell has offered additional help to HYPREP, including resources, engineers etc. Due to the reputational damage of owning SPDC, Shell is considering selling its stake in the pipeline network, although it would still be reliant upon it for transporting hydrocarbons. The dilemma for investors is therefore whether they would prefer Shell to remain the owner and try to sort the issues - and accept the associated reputational damage - or wash their hands of the problem by disposing the assets to what might be a less scrupulous operator, who may allow more damage to the environment. Engagement with Shell has provided us with some comfort that it is the best owner for these assets.
AB InBev	Environmental	We engaged with multi-national drinks company AB InBev, urging it to set medium-term scope 1-3 emissions reduction targets, post 2025, as well as a net zero target for 2050 or sooner	The company is clearly aware of its challenges and is working on the solutions, which could include the increased use of returnable glass bottles and recycling plastic on the packaging side. We are now giving the company time to work through these solutions, and we await its next ESG report, to be published in February 2021, to see if any new targets are published. We will then decide if further near-term engagement is necessary.

2. Aberdeen Standard Investments

Although bondholders normally have less influence than equity holders when engaging with companies, ASI considers it important to engage with issuers of debt regarding material ESG issues, to gain a better understanding of the investment risks, and to encourage improved ESG practices.

Over the course of 2020, ASI's Fixed Income team regularly engaged with the companies they invest. Over the period they med with 19 portfolio companies on ESG topics and 21 engagements with them. Some more specific engagements on behalf of their investors in the ASI Ethical Corporate Bond Fund are as follows[6]:

Company	Topic	Engagement Lifecycle Status	Issue	Engagement Summary	ESG Impact on Investment Thesis
Heathrow	Environment	Identify	Waste management	Heathrow's broad range of ESG initiatives encourages us. This includes its sustainability strategy 'Heathrow 2.0' and its Covid-19 safety measures. Heathrow gave examples of the positive steps it is taking to minimise noise emissions and reduce waste.	Reinforces
AT&T	Labour Management	Acknowledge	Labour practices	We continue to engage with AT&T on its approach to employee relations and unions in particular. The company is moving toward a wireless network that may result in job losses. AT&T gave details on how it engaged with unions, as well as its approach to inclusion and diversity. As the company transitions, we will track progress and ensure it treats employees well.	Reinforces
Verizon Communications	Human Rights	Identify	Human rights community relations	We spoke with Verizon to discuss moderating user-generated content. While the company's exposure to this is very small, there are potential social and reputation risks. Verizon acknowledge that regulating this area is challenging and we are encouraged by its child-safety approach.	Reinforces
HSBC	Climate Change	Identify	GHG emissions business model resilience	HSBC gave more insight into its climate strategy. A large part of this focuses on helping clients de-carbonise assets financed by HSBC, while limiting new investment into polluting industries. We are comfortable with the direction taken by the company.	Reinforces
Deutsche Bank AG	Corporate Governance	Implement	Board Matters	We followed up on issues related to business conduct, litigation cases and risk management and structure. We are re-assured by measures put in place, which will ensure Deutsche Bank is in a better future position. It is now focusing on a cultural change with its key stakeholders and we will continue to monitor developments.	Reinforces
British Telecom	Human Rights	Acknowledge	Customer Privacy and data security	BT's approach to sustainability focuses on: digital skillsresponsible technology & human rightsclimate & environment. BT outlined its labour management approach, focused on culture and wellbeing/mental health in the wake of Covid-19. Overall, BT is well-positioned and we will continue to track progress.	Strengthens
Tesco	Corporate Governance	Identify	Remuneration	We engaged with Tesco after a large vote against the remuneration report at the 2020 AGM and in advance of a new remuneration policy for 2021. We gave our views on and we did not gain assurance of the Board's remuneration decision making.	Weakens
Barclays	Corporate Behaviour	Plan	Practices & Policies	In 2020, we voted in favour of a resolution calling on Barclays to align its lending with the Paris Agreement. The company appears to be making positive steps relating to climate transition. It is also making detailed changes to oversight of its ESG approach, with strengthened executive support.	Strengthens

Source: ASI

[6] Data provided by ASI Investment

3. Insight

Insight participates in a range of associations and collaborative initiatives, including as a founding signatory to the UN-supported Principles for Responsible Investment (PRI), as well as the UK Stewardship code.[7]

During 2020, Insight's credit team amended one of their key investment tools, the 'landmine checklist', to include climate risk as a discrete risk alongside ESG and other credit-material factors This addition will ensure all debt investments will now also be assessed based on their exposure to transitional or physical climate risk.

Insight continue to avoid tobacco companies within their strategic credit portfolios, while they also continued a range of long-term engagements with different companies on behalf of their fixed income investors. Overall, there were[8]:

- 1,210 instances of engagement over 2020, 90% included some form of ESG dialogue
- This included Companies from 64 countries, including 30 from emerging markets
- 33% of the meetings where with Insight exclusively
- 61% of these meetings included the company's board or senior management

In one example, Insight ended up selling debt holdings in the freight transportation company Burlington Northern Santa Fe Railway Company within their strategic credit portfolios. Relative to its peers and standard market practice, Insight feel that the issuer's governance rating is weak. They sought to engage with the company to better understand its approach and encourage improvement, but given the lack of willingness to engage, coupled with their belief that the bonds were not trading in line with these risks, they decided to exit their position.

Insight also take a proactive role in ensuring the long-term sustainability and resilience of the markets in which they operate, by engaging on significant and regulatory issues. This has included engagement on RPI reform, which Insight believe could have negative implications for millions of UK pensioners. As a result, Insights aim has been to draw attention to the potential impact of the proposed change and to ensure everyone has an opportunity to make their voices heard. Despite their efforts, in November 2020 the UK government announced it would go ahead with planned reforms, with the RPI/ CPIH alignment beginning from 2030.

4. Blackrock iShares

BlackRock's approach to corporate governance and stewardship is detailed in their Global Corporate Governance and Engagement Principles. These high-level Principles are the framework for their more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe their philosophy on stewardship (including how they monitor and engage with companies), policy on voting, integrated approach to stewardship matters and how they deal with conflicts of interest. These apply across different asset classes and products as permitted by investment strategies. BlackRock reviews their Global Corporate Governance & Engagement Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights

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[7] Please see Responsible investment | Insight Investment and stewardship-code.pdf (insightinvestment.com) for further details
[8] Data provided by Insight Investment

gained from engagement over the prior year. Their Global Corporate Governance & Engagement Principles are available on their website at https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf

5. DC Section

Introduction

The Trustee has overall responsibility for how the Plan's investments are governed and managed in accordance with the Plan's Trust Deed and Rules, as well as Trust Law, Pensions law and Pension Regulations.

The Plan uses standard pooled funds offered by Aegon UK and the underlying managers.

Based on the final order of the Competition and Markets Authority (CMA) the Trustee has set a number of objectives for Hymans Robertson, their DC investment consultant, which are monitored annually. These are:

- Optimise value of retirement benefits for members based on level of contributions and DC regulatory and market constraints
- Provide means for members to protect value of members' benefits in the years approaching their selected retirement age against significant market falls (and against their expected retirement patterns) to protect their income in retirement
- Offer a range of investments so that members can select to best match their own personal objectives
- Ensure cost efficient implementation of the Plan's investment strategy and of any changes to investment strategy
- Delivery of the Plan's investment objectives is supported by an effective governance framework
- Comply with relevant pensions regulation, legislation and supporting guidance
- Ensure the funds are meeting their investment objectives
- Implementation of strategic fund changes is carried out effectively
- Ensure the Platform Provider is appropriate for the Plan

During the year to 31 March 2021, the Trustee developed investment beliefs in relation to ESG issues, which they will use as a guide when making investment decisions.

Governance

The Trustee monitor the investment performance of each of the funds on a quarterly basis. This will include a review of the performance of the assets relative to objectives and underlying risks, the economic outlook, and the manner in which the assets are invested. To aid this review, the Trustee will primarily rely on reports and advice received from the Aegon, the individual managers and Hymans Robertson.

The Trustee is satisfied that during the last year:

- The Plan's DC governance structure was appropriate;

- The Trustee has maintained their understanding of investment matters through the training outlined above and on the job training; and
- Their investment advisers met the agreed objectives.

Review of SIP

The Trustee reviews the SIP after consultation with their professional advisers at least every three years, and in response to any significant change in professional advisors or investment policy. The SIP was last updated on 1 September 2021.

The following changes were made to the SIP during the last year:

- A section was added detailing the changes to the 30/70 Global equity fund. The fund was replaced with a blend of 50% BlackRock MCSI Currency Hedged World Index Fund and 50% Aegon Schroder Sustainable Multi Factor Equity Fund.
- New sections were added to the risks identified in the SIP (as per regulatory requirements) regarding members' ability to invest/disinvest promptly, the impact of climate change and financially material considerations.
- The Trustee added to the fund options section to include dialogue around the structure of investment arrangements, the selection of funds, portfolio turnover and manager incentives (as per regulatory requirements).
- A section was added that outlined the Trustee's management of conflicts of interests.
- The Trustee expanded their policy on responsible investment to include the monitoring of voting rights.
- Information surrounding fund fee structures was updated to reflect the most up to date information

Adherence to the SIP

The Trustee will monitor compliance with the SIP annually. In particular, they will obtain confirmation from the underlying managers via Aegon that they have complied with the SIP insofar as is reasonably practicable and that in exercising any discretion they have done so in accordance with Section 4 of the Occupational Pension Plan (Investment) Regulations 2005.

The Trustee is of the opinion that their investment objectives set out in their SIP have been followed during the year ending 31 March 2021. In particular:

- The Trustee last carried out an in-depth three-yearly review of the default arrangement and other investment options in March 2020 to ensure they remain suitable for most members. The next in-depth review will be completed by March 2023. The objectives and rationale are set out in the SIP for the default arrangement and for the other investment options. Although the Trustee did not carry out a review of the investment options available to members, the Trustee reviews the performance of all of the funds and reviews any changes in the membership on a quarterly basis. The Trustee is satisfied that the default arrangement and other investment options remain suitable for most members because:

- There have been no material changes to the demographic of the membership;
- The default arrangement continues to perform ahead of target; and
- Members looking to self-select are given a good selection of funds with differing risk and return profiles to choose from.

- The Trustee is satisfied that the main investment risks members' face are described in the SIP. The Trustee is satisfied that the expected rates of investment return for the types of funds described in the SIP are reasonable relative to the risks that members face.

- The Trustee monitors the funds used by the DC section of the Plan by:
  - Receiving six monthly investment monitoring reports from their investment consultant which reviews performance of the default arrangement and self-select options and reviews the value for money based on the fund charges;
  - Reviewing reports received from Aegon and the individual managers on a quarterly basis and
  - Inviting the Plan's managers to Trustee meetings in order to raise any questions about performance and to hear about any changes to the funds.

- It is important that contributions can be invested promptly in the default arrangement or the investment options that have been chosen and that investments can be sold promptly when members want to change where they are invested, transfer their pension pot to another Plan or benefits are due to be paid out when they retire. As set out in the SIP, the Trustee is satisfied that money can be invested and taken out of the Plan's funds without delay.

  In addition to the normal investment risks faced investing in the funds used by the Plan, the security of your savings in the Plan depend upon:

  - The financial strength of the investment platform provider used by the Plan;
  - The financial strength of the fund managers used by the investment platform; and
  - The legal structure of the funds the Plan invests in.

  The Trustee is not aware of any material changes in the financial strength of the investment platform provider or the fund managers used by the platform in the last year.

- As described in the SIP, the Trustee considers potential conflicts of interest:

  - When choosing fund managers;
  - When monitoring the fund managers' investment performance and the fund managers' approaches to investment stewardship and responsible investing; and
  - When the fund manager is making decisions on where each fund is invested.

The Trustee is satisfied that there have been no material conflicts of interest during the year, which might affect members' benefit expectations.

- As described in the SIP, the Trustee seeks transparency of all costs and charges borne by members and when selecting new funds, will consider manager remuneration strategies.

- Over the year to end March 2021, the Trustee has met with one of the Plan's main investment managers, Schroders who presented on ESG issues and has received ESG training. As previously mentioned, the Trustee has developed ESG investment beliefs over the year.

- The Trustee recognises that some members will have strong views on where their pension savings should be invested. The Plan offers members a choice of funds which:
    - Have a sustainable tilt (e.g. the Schroders Sustainable Global Multi Factor Equity Fund) ;
    - Have different risk profiles; and
    - Give members an ethical option (e.g. LGIM Ethical Global Equity Fund).

  Nevertheless, the Trustee recognises that it is not possible to cater for everyone's views on non-financial/ethical matters. The Trustee is satisfied that the Plan offers suitable ethical investment options for members in accordance with the SIP.

- The platform provider has not been able to provide portfolio turnover costs to be added to this statement. The Trustee is liaising with them to obtain portfolio turnover for future reports.

6. Voting and engagement – DC Section

The Trustee encourages all their asset managers to be engaged investors, and furthermore encourage the managers to report on these activities and to disclose information about Responsible Investing on their website and in their client reports.

The intention of this section of the Statement is to provide specific details of the voting and engagement behaviour including examples of some significant votes of the Plan's underlying asset managers, where it takes place. The Trustee considers 'significant votes' to be either companies with relatively large weightings in the funds members invest in, or where there were shareholder issues that members are expected to have an interest.

Within the portfolio, the two blended Funds used by the Plan, Mencap Diversified Growth Fund and the Global Equity Fund are the only ones with voting rights. All the other Funds are fixed income focused funds, which invest in securities without voting rights attached to them.

The Trustee is conscious that some asset managers may not be able to provide voting records for all investment held within certain pooled structures.

Funds where voting rights are available are set out below:

Funds	If Blend
Mencap Global Equity	Aegon BlackRock MSCI Currency Hedged World Index (BLK)
	Aegon Schroder Sustainable Multi-Factor Equity (BLK)
Mencap Diversified Growth	Aegon BlackRock Diversified Growth (BLK) Class O,
	Aegon Schroders Dynamic Multi Asset (BLK) Class O

Voting statistics of these funds are set out below:

	Aegon BlackRock MSCI Currency Hedged World Index (BLK)	Aegon Schroder Sustainable Multi-Factor Equity (BLK)	Aegon BlackRock Diversified Growth (BLK) Class O	Aegon Schroders Dynamic Multi Asset (BLK) Class O
Number of meetings eligible to vote at	1091	387	928	764
Number of resolutions eligible to vote on	15759	5197	11707	10,143
Number of resolutions voted on	90.67%	100%	95.84%	99.1%
Number of resolutions voted with management	92.72%	90.8%	94.14%	90%
Number of resolutions voted against management:	7.28%	9%	5.86%	9.9%
Number of resolutions abstained from voting	0.72%	0.2%	0.91%	0.1%

How do fund managers implement their votes?

The managers often make use of proxy voting to inform their decision-making. The managers use the following organisations as proxies for their voting activity:

Manager	Comment on approach
BlackRock	BlackRock uses ISS for vote instructions and they also use proxy research firms for custom recommendations.
Schroders	Schroders utilise company engagement, internal research, investor views, governance expertise and external research (from ISS and IVIS) when considering voting decisions. Schroders make use of a third party proxy voting service

Most significant votes are set out below:

Aquila Life Currency Hedged MSCI World Index

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company name	EXXON MOBIL CORP	ROYAL DUTCH SHELL PLC CLASS B	BARCLAYS PLC	CHEVRON CORP	MIZUHO FINANCIAL GROUP INC
Summary of the resolution	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-shell-may-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-mizuho-fg-jun-2020.pdf

BlackRock Dynamic Diversified Growth Fund

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company name	BARCLAYS PLC	CHEVRON CORP	DAIMLER AG	WOODSIDE PETROLEUM LTD	CHENIERE ENERGY INC
Summary of the resolution	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-daimler-jul-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-cheniere-jun-2020.pdf

Schroder Dynamic Multi-Asset Fund

Company	Amazon.com, Inc.
Date of vote	05/27/2020
Summary of resolution	Elect Director Jonathan J. Rubinstein
How you voted	Against
Rationale for the voting decision	Lead Independent Director and ongoing concerns about labour standards and company responsiveness to shareholder concerns.
Additional comments	Please refer to our Q3 Sustainable Investment report for an in depth case study of this vote. https://publications.schroders.com/view/787153/i/?_ga=2.8795317.1630938975.1614948895-56942833.1600334358

Schroder Sustainable multifactor Equity Fund – no details of significant voting available