Whirlpool UK Appliances Ltd Pension Scheme

# Annual Implementation Statement – Scheme year ending 5 April 2021

## 1 Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Whirlpool UK Appliances Ltd Pension Scheme ("the Scheme") covering the scheme year to 5 April 2021 ("the year").

The purpose of this statement is to:

- Provide further information on reviews of the SIP undertaken by the Trustee, and any changes made to the SIP over the year as a result of a review.
- Details of how and the extent to which, in the opinion of the Trustee, the Scheme's policies as set out in the Statement of Investment Principles (the "SIP") have been followed during the year; and
- A description of voting behaviour (including the "most significant" votes made on behalf of the Trustees) and any use of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme's DB assets on a discretionary basis. The Fiduciary Manager's discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustee's SIP.

A copy of this Implementation Statement will be made available on the following website:
*https://www.ptluk.com/statement-of-investment-principles*

## 2 Review and changes to the SIP

The SIP was reviewed and updated once in the year. The versions in place were dated:

1. September 2019
2. September 2020

The SIP was updated in September 2020 in relation to new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2020, which required the Trustee to set out their policy in relation to their arrangements with asset managers including:

- how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee's policies.
- how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee's policies.
- how the trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
- the duration of the arrangement with the asset manager.

For the purpose of assessing how the Scheme's SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2020. All elements that were included in the previously agreed SIP (dated September 2019) remained in the September 2020 SIP.

## 3 Adherence to the SIP

*<u>SIP Section 1: Introduction</u>*

*Items 1-2: These paragraphs provide relevant introductory and background comments rather than setting out any policies.*

*<u>SIP Section 2: Investment Objectives</u>*

*This section sets out the Trustee's investment objectives which are ultimately focussed on ensuring that the Scheme has sufficient assets to pay benefits to its beneficiaries as and when they fall due.*

*The Investment and Risk Monitoring Committee ("IRMC") met four times during the year.*

*<u>SIP Section 3: Investment Strategy</u>*

*The Trustee has received advice on an investment strategy aimed at maximising the chances of achieving its objectives. The investment strategy was formally reviewed ahead of transitioning the Scheme's assets into a fiduciary arrangement with Willis Towers Watson. The Trustee monitors progress relative to its objectives on a quarterly basis as outlined below.*

*The Trustee believes in diversification and the Scheme's portfolio is built using a diverse range of return-seeking assets and a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme's liabilities to inflation and interest rates. Throughout the year, implementation of this strategy was delegated to the Fiduciary Manager who managed the balance of these investments. The Trustee put in place guidelines over the year with parameters specified for the Fiduciary Manager to act within including asset allocation, manager and geographical diversification, and foreign currency exposure. The Fiduciary Manager is required to report any breach of these guidelines to the Trustee. No breaches were reported during the year.*

*In order to ensure appropriate incentivisation and alignment of decision-making between the Trustee and the Fiduciary Manager, the Fiduciary Manager is subject to a number of obligations set out in its contractual arrangements with the Trustee and the Fiduciary Manager is aware of and gives effect to the principles set out in the Trustee's SIP. The Fiduciary Manager acted in accordance with these obligations throughout the year.*

*The Trustee's investment strategy seeks to outperform a benchmark based on a projection of the Scheme's liability cashflows. The liability benchmark is updated following each actuarial valuation, and when there is any significant change to the structure of the Scheme's liabilities. The benchmark was last updated in March 2021 as the Fiduciary Manager updated its inflation assumptions used for constructing the Scheme's liability proxy to account for the impact of RPI reform.*

*The Fiduciary Manager monitored and reviewed the Scheme's investments and managers on a regular basis to ensure that the investment strategy remained consistent with the Scheme's objectives. On a quarterly basis, the Trustee reviewed the Scheme's asset allocation, funding position and progress relative to the journey plan (the projected path to achieve the Scheme's objective), and measures of the expected return and risk of the Scheme's portfolio to ensure that these remained broadly consistent with the Scheme's objectives. On a monthly basis the Trustee received an approximate update of the Scheme's position to keep track of progress between the detailed quarterly reports.*

*The Trustee has implemented a dynamic risk management framework whereby the Scheme's funding position is monitored relative to agreed upside and downside triggers which are used to indicate if the Scheme is sufficiently ahead of or behind the journey plan to warrant reviewing or changing the Scheme's investment strategy (e.g. the Scheme may be in a position to reduce investment risk or the investment time horizon on breaching an upside trigger). Throughout the year, the Fiduciary Manager monitored the Scheme's funding position and progress relative to the triggers on a daily basis using its proprietary system, the Asset Liability Suite. When the Scheme breached its upside funding level trigger in early 2021 the Trustee agreed to respond by bringing forward the commencement of de-risking to 2024, in line with the dynamic risk management framework. The Trustee will formalise this later in 2021 when they conduct a desktop strategy review.*

*The Trustee has a policy to ensure that the Scheme's cashflow requirements can be readily met without disrupting its investments. Throughout the year, the Fiduciary Manager regularly monitored the level of cash in the Scheme, and cashflows into / out of the Scheme to ensure that there were sufficient assets in readily realisable investments to meet the Scheme's requirements without disrupting its investments. The Fiduciary Manager can make adjustments to the Scheme's allocation to cash when necessary within guidelines set by the Trustee. The Trustee monitored the liquidity of the Scheme's portfolio and cashflows into and out of the Scheme on a quarterly basis.*

*<u>SIP Section 4: Investment Managers</u>*

*Over the year to 5 April 2021, the Trustee completed the transition of the Scheme's assets into a new fiduciary arrangement with Willis Towers Watson, re-arranging its legacy portfolio into the fiduciary target portfolio as at 5 April 2021, comprising:*

- *the TWIM Hedge Advantage Fund;*
- *the TWIM Alternative Credit Fund*
- *the TWIM Global Equity Focus Fund;*
- *the TWIM Diversifying Strategies Fund (USD and GBP hedged share classes);;*
- *the TWIM Secure Income Fund;*
- *the Resolution Capital Property Fund;*
- *the AMX SSgA Infrastructure Fund;*
- *the First State China A Shares Fund;*
- *the AMX Colchester Global Sovereign Credit Fund;*
- *the Franklin Templeton Global Bond Plus Fund;*
- *the Dymon Asia China Absolute Return Bond Fund;*
- *the GQG Emerging Markets Equity Fund;*
- *the Insight Synthetic Equities Fund;*
- *four pooled LDI funds with Insight; and*
- *two SSGA Liquidity Funds (GBP and USD).*

*Throughout the year, the Fiduciary Manager monitored the performance of the Scheme's investment managers. Performance was monitored relative to an appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available. In addition, the Fiduciary Manager assessed the performance of the Scheme's investment managers relative to peers and in the context of the prevailing market environment. The Fiduciary Manager and Trustee focus their assessment of investment manager performance on the long-term consistent with the Trustee's position as a long-term investor.*

*On a forward-looking basis, past performance is only one input into the Fiduciary Manager's assessment of an investment manager, which relies predominantly on research views based on a range of qualitative and quantitative factors, including the consideration of Sustainable Investment, or Environment, Social and Governance factors as outlined below. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short-term performance alone. Consistent with the Scheme's long investment time horizon, the Trustee seeks to be a long-term investor and the Fiduciary Manager has appointed managers (in the majority of cases) with the expectation of a long-term relationship. This in turn allows investment managers to take a longer-term approach to investing, including engagement with issuers of debt and equity, with a view to improving investment outcomes over the long term. As at the end of the year, the Scheme was invested in 19 investment funds.*

*The Trustee received quarterly performance monitoring reports from the Fiduciary Manager (following the transition of assets). Performance shown in these reports was based on performance reporting provided by the Scheme's Independent Performance Measurer, State Street. These reports are included for scrutiny and discussion at the Trustee's quarterly meetings. The reports include details of* *short-, medium- and longer-term performance relative to benchmarks/targets for all funds as well as commentary on an exceptions basis regarding performance with significant deviation from benchmark/target. Throughout the year, the Trustee used these reports as an input into its ongoing assessment of the Fiduciary Manager's performance. Similar to the approach taken with the Scheme's underlying investment managers, the Trustee appointed the Fiduciary Manager with the expectation of a long-term relationship and therefore takes a long-term approach to its assessment of the Fiduciary Manager's performance.*

*Manager selection: de-selection and monitoring*

*As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.*

*As part of its manager selection and ongoing oversight processes, the Fiduciary Manager considers the level of fees and the type of fee structures used by each manager (including a consideration of the alignment of interests created by certain fee structures). The Fiduciary Manager considers a number of factors including the asset class / investment strategy, the way in which the strategy is implemented (e.g. active management or passive benchmark tracking), and fee benchmarking relative to peers. The majority of the Scheme's investment managers were paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The exceptions to this were in the areas of Secure Income Assets ("SIAs") where part of the manager's remuneration was based on its performance over an appropriate time horizon. The use of performance fees for these types of investments (where manager skill is a key driver of expected returns) is quite common. The Trustee and Fiduciary Manager recognise the incentives created by such fee structures and are comfortable with them given the active nature of these individual strategies, and in the context of the Scheme's wider investment portfolio where the aggregate use of these fee structures is limited.*

*The Fiduciary Manager is also responsible for managing the sustainability of the portfolio and how ESG factors are allowed for in the portfolio.*

*Consistent with the Trustee's view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that SI forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.*

*The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.*

*The Fiduciary Manager produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Scheme's portfolio) on an annual basis. These reports form part of the Fiduciary Manager's ongoing portfolio monitoring.*

*The policies and processes described above have impacted the Scheme's investments in numerous ways. For example, the Scheme invests in the TWIM Secure Income Fund: This fund generates returns from investment in renewable energy assets and other socially responsible investment. The universe for assets in which the fund manager can buy is screened for Environmental and Social factors such as energy and water consumption. Potential purchases have been rejected in the past for failing to meet ESG requirements.*

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance ("ESG") and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", the top three have been shown below.

Further information on the voting and engagement activities of the managers is provided in the table below where we have provided data for the invested Scheme managers as at 5 April 2021.

The Scheme's equity holdings are invested across four pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active emerging markets equity fund
- Manager B – an active emerging markets equity fund
- Manager C – an active global fund focussed on real estate equity
- SSgA Infrastructure Equity MFG Fund – a passive global equity fund focussed on equity related to infrastructure companies

As outlined above, the Scheme is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM Fund, Manager A, Manager B and Manager C. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Scheme's investment managers could impact the investment manager's ability to generate the best investment outcome for the Scheme and ultimately, the Scheme's members.

The voting data below is based on the year to 31 March 2021 unless stated otherwise underneath the tables. Where references are made to "we" this refers to the investment manager, not the Trustee.

**Towers Watson Investment Management (TWIM) Global Equity Focus Fund:**

| | | | | |
|---|---|---|---|---|
| **Voting activity** | Number of votes eligible to cast: 2,921<br>Percentage of eligible votes cast: 99.0%<br>Percentage of votes with management: 90.4%<br>Percentage of votes against management: 9.5%<br>Percentage of votes abstained from: 0.2% | | | |
| **Most significant votes cast** | **Company** | Citigroup | Cigna Corporation | Cigna Corporation |
| | **Size of holdings** | 0.8% | 1.6% | 1.6% |
| | **Resolution** | Report on Lobbying Payments and Policy | Report on Gender Pay Gap | Reduce Ownership Threshold for Shareholders to Call Special Meeting |
| | **Decision /Vote** | For | For | For |
| | **Rationale for decision** | We are against any form of political payments | We believe the disclosures requested would be very low cost for the company to produce and that shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives, with significant benefits for the company related to employee and customer satisfaction as it would demonstrate that the company took the concerns seriously | Shareholder proposal promotes enhanced shareholder rights |
| | **Rationale for classifying as significant** | Large holding in portfolio | We believe it was significant both given our firmwide shareholding (as a percentage of outstanding shares) and our engagement efforts | We believe it was significant both given our firmwide shareholding (as a percentage of outstanding shares) and our engagement efforts |

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| **Use of proxy voting** | Within the Towers Watson Investment Management Global Equity Focus Fund, the underlying managers use ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. The Fund also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers within the fund are ultimately responsible for the votes |

**Manager A:**

<table>
<tr><td>Voting activity</td><td colspan="4">Number of votes eligible to cast: 956<br>Percentage of eligible votes cast: 100.0%<br>Percentage of votes with management: 99.0%<br>Percentage of votes against management: 1.0%<br>Percentage of votes abstained from: 0.0%</td></tr>
<tr><td rowspan="6">Most significant votes cast</td><td>Company</td><td>China Telecom</td><td>Great Wall Motor</td><td>China Mengniu Dairy</td></tr>
<tr><td>Size of holdings</td><td>2.63%</td><td>4.09%</td><td>2.38%</td></tr>
<tr><td>Resolution</td><td>Authority to Issue Shares without Pre-Emptive Rights</td><td>Amendments to Articles of Association</td><td>Electing Jiao Shuge</td></tr>
<tr><td>Decision /Vote</td><td>Against</td><td>Against</td><td>For</td></tr>
<tr><td>Rationale for decision</td><td>Concerns about potentially excessive dilution. Company also does not need to issue new shares given a healthy balance sheet.</td><td>Shortened notice period as shareholders should give enough time to consider items before general meetings</td><td>Jiao has been on the board for several years. His experiences in financial industry are solid. And we don’t think major shareholders want to be unreasonably diluted</td></tr>
<tr><td>Rationale for classifying as significant</td><td>Against management</td><td>Against management</td><td>Vote against provider recommendations</td></tr>
<tr><td>Use of proxy voting</td><td colspan="4">Glass Lewis/Create their own policy which Glass Lewis implements on their behalf</td></tr>
</table>

**Manager B:**

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| **Voting activity** | Number of votes eligible to cast: 634<br>Percentage of eligible votes cast: 98.0%<br>Percentage of votes with management: 90.0%<br>Percentage of votes against management: 8.0%<br>Percentage of votes abstained from: 2.0% |
| **Most significant votes cast** | No data provided |
| **Use of proxy voting** | N/A |

Note: Due to availability at the current time, data shown above is for the year to 31 December 2020.

**Manager C:**

<table>
<tr><td>Voting activity</td><td colspan="4">Number of votes eligible to cast: 546<br>Percentage of eligible votes cast: 100.0%<br>Percentage of votes with management: 98.0%<br>Percentage of votes against management: 2.0%<br>Percentage of votes abstained from: 0.0%</td></tr>
<tr><td rowspan="5">Most significant votes cast</td><td>Company</td><td>Sun Hung Kai Properties Limited</td><td>Equinix, Inc.</td><td>Prologis, Inc.</td></tr>
<tr><td>Size of holdings</td><td>4.7%</td><td>4.1%</td><td>9.1%</td></tr>
<tr><td>Resolution</td><td>Approve Issuance of Equity or Equity-Linked Securities without Pre-Emptive Rights (grant a general mandate to the Directors to issue new shares)</td><td>Approve Omnibus Stock Plan</td><td>Advisory Vote to Ratify Named Executive Officers’ Compensation</td></tr>
<tr><td>Decision /Vote</td><td>Against</td><td>Against</td><td>Against</td></tr>
<tr><td>Rationale for decision</td><td>Terms were not clearly articulated, particularly pricing</td><td>ISS takes issue with EQIX’s equity incentive plan using a rating system and benchmarking it. EQIX receives a score of 17, ISS points out S&P500</td><td>Long term incentive (“LTI”)* bar is set too low<ul><li>100% of the target amount awarded if relative total shareholder return</li></ul></td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | | | companies generally land around 55. Their conclusion is the stock plan is too large, has relax vesting and the broad discretion on accelerating it. We reached out to EQIX and they argued as a tech-oriented company EQIX has a substantially different employee set than a traditional REIT and that in many cases Equinix is competing for the same talent as Silicon Valley technology companies. Our view is that ISS sample size is the whole of S&P500 not just REITs. Qualcomm (NASDAQ) and Juniper (NYSE) are two tech companies that we managed to obtain the ISS score for, they both receive a score of >55 compared to EQIX at just 17 | is equal to the benchmark*<br>• 60% of the target amount is awarded if Prolongis underperforms by 400-500bps. For the CEO in 2019 the target was $8.25m, thus would have been awarded $4.95m if underperformed peers by 500bps.<br>*50% of Long term incentive is based on relative total shareholder return against a benchmark comprised of:<br>• 80% weighted to 4 US Logistics REITs; i.e. EGP, FR, DCT, DRE (note does not include TRNO, RXR)<br>• 20% weighted to GMG and SEGRO<br>Other:<br>• CEO pay ratio to median employee is 258:1<br>Comparable CEO pay ($29.9m using the ISS method) is elevated vs<br>• AMT $14.3 (4/2019 ISS report)<br>• GMG US10m (11/19 ISS report) |
| | **Rationale for classifying as significant** | Voting against management | Voting against management | Voting against management |
| **Use of proxy voting** | Manager C does not use a proxy advisory service | | | |

**SSgA Infrastructure Equity MFG Fund:**

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|---|---|
| **Voting activity** | Number of votes eligible to cast: 91<br>Percentage of eligible votes cast: 100.0%<br>Percentage of votes with management: 85.0%<br>Percentage of votes against management: 14.0%<br>Percentage of votes abstained from: 0% |
| **Most significant votes cast** | No data provided |
| **Use of proxy voting** | EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers |

Note: While the reporting period for the data above is for the 12 months to 31 March 2021, the fund launched on 17 August 2020

<u>Industry wide / public policy engagement:</u>

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes ("EOS") to undertake public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators and industry bodies and other standard setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council of which WTW are currently the Chair. Engagement activities by EOS on public policy over the year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;

- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, where EOS lead or co-lead 30 engagements and support another 14;

- Working closely with the Principles for Responsible Investment ('PRI'), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax.

- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The Fiduciary Manager also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;

- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;

- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);

- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);

- Co-founding the Investment Consultants Sustainability Working Group;

- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

*SIP Section 5: Other matters*

*The Trustee seeks to identify, manage and monitor risks which could negatively impact the Scheme's ability to meet its funding objectives. This risk management framework incorporates funding, covenant and investment factors and is ultimately used to form the Scheme's investment strategy. In relation to investment factors, the Trustee has identified a number of risks which it seeks to manage and monitor, in conjunction with the Fiduciary Manager. Solvency and mismatch risk, investment manager risk, liquidity risk, and interest rate and inflation risks have been discussed above in the relevant sections on investment strategy and investment managers. The Fiduciary Manager reported to the Trustee on each of these risks in quarterly meeting papers which were discussed at the Trustee's quarterly meetings.*

*In addition to these risks, the Trustee also seeks to measure and manage:*

- *Currency risk: some of the Trustee's investments are denominated in a different currency to the Scheme's liabilities which creates a mismatch. The Fiduciary Manager managed the Scheme's exposure to foreign currencies within guidelines set by the Trustee. Currency hedging was implemented via investing in GBP-hedged share classes for overseas denominated funds. Throughout the year, the Fiduciary Manager left a small proportion of the Scheme's foreign currency exposure unhedged for reasons of diversification and return generation. The Fiduciary Manager monitored the Scheme's unhedged exposures on a regular basis and reported this to the Trustee as part of its quarterly meeting papers.*

- *Custodial risk: the Scheme is exposed to the risk that any assets held on the custodian's balance sheet could be lost if the custodian was to become insolvent. The Trustee addressed this by investing in pooled funds where the Scheme's assets are held by a separate custodian appointed by the manager. In addition, any uninvested cash was swept into a pooled cash fund at the custodian where the assets are held off the custodian's balance sheet. In addition, the Fiduciary Manager's specialist research team reviews the custodian on a regular basis.*

- *Political risk: the Trustee recognises that the value of the Scheme's assets may be impacted by political regimes and actions, particularly in less established/ more opaque markets. Throughout the year, the Scheme's portfolio remained well diversified by geography. The Fiduciary Manager considers political risk when determining whether to allocate capital to an investment and also in determining the relative sizing of an investment.*

- *Sponsor risk: The Trustee has agreed a contribution and funding schedule commensurate with the strength of the Sponsor and the Scheme's journey plan. A representative from the Sponsor is invited to attend the Scheme's Integrated Risk Management Committee ("IRMC") quarterly meetings whereby the Trustee receives and evaluates information related to the Sponsor covenant on a regular basis.*

## *4 Conclusion*

*The Trustee considers that all SIP policies and principles were adhered to during the year.*

Approved by the Trustees of the Whirlpool UK Appliances Ltd Pension Scheme on 3.11.2021