Implementation Statement

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”). The Regulations amongst other things require that the Trustees outline how they have ensured that the policies and objectives set out in the Statement of Investment Principles ("SIP") have been adhered to over the course of the year.

This is the first implementation statement the Trustees have prepared and covers the year ended 30 June 2020.

This statement sets out the actions undertaken by the Trustees, the service providers and investment managers, to implement the policies as set out in the SIP and includes voting and engagement information that has been gathered from the managers.

Changes to the SIP over the year to 30 June 2020

The Statement of Investment Principles (SIP) was reviewed and revised over the year to take account of changes required by the Regulations as follows:

- Set out how the Trustees take account of financially material risks (including, but not limited to, ESG including climate change)
- Set out how the Trustees take account of 'non-financial matters' - if at all - for example, members' ethical views)
- Set out the Trustees' policy in relation to the stewardship of investments, including engagement, monitoring and exercising voting rights associated with investment funds

The Plan's SIP was also made available on the Company's website as required by the Regulations.

In particular, the Trustees have outlined their policies regarding how they incentivise asset managers to achieve their long-term objectives, their policies on cost transparency, their policies on voting and stewardship rights and finally how their policies align with that of the sponsoring employer in relation to sustainability going forward.

The most recent SIP including the changes outlined here is dated 1st October 2019.

Plan activity over the year to 30 June 2020

The Trustees received training on ESG and Responsible Investment during the year (on 24 September 2019) as part of a combined session with the Company's other Isle of Ireland pension scheme Trustees, including a discussion on the different approaches to responsible investment, types of Environmental, Social and Governance (ESG) factors, regulation and other drivers, and a recap of the ESG Ratings process carried out by Aon - the Trustees' Investment Adviser (hereafter referred to as Aon) on the Plan's behalf.

At the subsequent Trustee meeting (on 15 November 2019) the Trustees specifically discussed their policy on ESG investment and agreed to pursue further the possibility of introducing a fund or funds with an ESG screening criteria. The Trustees also confirmed they believe responsible investing will be of importance to members.

In addition, the Pension Investment Committee (PIC) that advises the Trustees on Plan investment matters, considers ESG and Responsible Investment periodically, at quarterly meetings and raises any significant issues at Trustee meetings.

The Trustees have been presented with a number of fund options available on the investment platform incorporating ESG policies and intend to amend where appropriate fund options to incorporate these as part of the upcoming investment review.

Scottish Widows, the fund platform provider and administrator, attends and presents at regular Trustee meetings (3 meetings during the reporting year of this statement). The Trustees engaged with Scottish Widows on a number of areas including their performance, strategy, risk, corporate governance and highlighted their expectation that on the Plan's behalf, Scottish Widows continues to focus on these areas. In addition, the Trustees received a summary at each Trustee meeting from Aon on its general views and financial strength of Scottish Widows.

The Trustees outline in their SIP several key objectives and policies. These are noted below together with an explanation of how these objectives have been met and policies adhered to over the course of the year ended 30 June 2020.

1. ***To provide a range of investments that are suitable for meeting members' varying risk aversions and long and short-term investment objectives, along with a default lifestyle option for members.***

   The Trustees have provided members over the course of the year with a range of investment choices. For members who do not wish to make an active investment decision, a default lifestyle arrangement (the Default Fund - Lifestyle Investment Strategy) is in place which gradually moves members from higher risk return-seeking assets in the Global Equity and Diversified Funds, to lower risk (Government Bond and Liquidity fund) assets as they approach retirement. In addition to the Default fund, for members who are comfortable making their own investment decisions, there are five self-select funds available which each member can choose from depending on their risk appetite.

   Whilst no specific or detailed review of the fund options took place during the year, a review of the performance of each fund and the suitability of the range of funds took place at quarterly trustee meetings.

   Since there is a range of options available to members covering the main assets classes and different levels of risk, the Trustees are comfortable that they have met their objective of providing a range of investments suitable for meeting members' long and short-term investment objectives.

2. ***The aim of the Default Fund - Lifestyle Strategy is to provide higher levels of growth during the accumulation phase of retirement savings for members who have delegated their investment decisions to the Trustees.***

   During the course of the year the Trustees receive quarterly monitoring reports from Aon and Scottish Widows. Both provide information regarding the short and long-term performance of all the funds offered to members. The objective of the Global Equity Fund is to track its benchmark and the expectation is that over the long-term returns are significantly higher than lower risk assets. Over the course of the year, the equity fund met its objective of tracking the benchmark, but nominal performance was significantly inferior to lower risk assets due to the COVID-19 pandemic and falling bond yields. The objective of the Diversified Growth Fund is to provide long-term investment growth through exposure to a diversified range of asset classes and the expectation is that over the long-term returns are higher than lower risk assets. Whilst a period of one year is too short to assess the fund's performance against objective, over the course of the year the fund provided superior returns to one class of lower risk asset (cash) but significantly inferior returns to the other class of lower risk asset (Government Bonds). The PIC has discussed the suitability of the existing Global Equity Fund which has a significant concentration to the UK equity market and this will be addressed as part of the upcoming investment review.

3. Risk Management and Investment Options review

The Trustees have highlighted several potential risks such as market fluctuations, ESG, Inflation, and Manager underperformance, which they have taken account of in designing and offering funds for members to invest in. The Trustees review these risks as part of the triennial review cycle along with the considerations from their advisers within the default investment option (the Default Fund - Lifestyle Strategy).

A review of the Default Fund and the investment options will take place shortly. The last review was completed in 2017 where the Trustees considered the potential risks. Following the last review, the Trustees were comfortable that the risks have been managed and mitigated appropriately given their objectives for members of the Plan.

4. Responsible Investing

The Plan documentation sets out the Trustees' objectives the main one being acting in the best financial interest of the Plan and its beneficiaries. The Trustees also take in to account the ESG factors that may arise when seeking the best risk/return investment options for their members. The Trustees recognise that, due to the nature of the investments they hold, there is limited scope to actively incorporate ESG considerations into the fund options. However, the Trustees keep this under review and will consider opportunities to add more ESG friendly options to the fund range as part of the upcoming investment review.

Aon has provided the Trustees with its formal ESG assessment of each of the Plan's funds where relevant.

5. Monitoring and Reviewing Investment Adviser

The Trustees aim to conduct a review meeting with the Aon annually, along with additional reviews periodically as and when they are deemed to be required. In addition, the Trustees review Aon's objectives annually.

Stewardship Policy

As part of their delegated responsibilities, the Trustees expect the Plan’s investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustees' voting rights in relation to the Plan’s assets.

The Trustees regularly reviews the continuing suitability of the appointed managers and takes advice from the Aon regarding any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Scottish Widows has a six-step approach to stewardship:

1) Be responsible for assets held;

2) Influence companies they are invested in to drive positive changes;

3) Exercise strong governance over asset managers they partner with;

4) Joining collaborative actions with other industry stakeholders to address systematic risks to the future of well-functioning markets;

5) Escalating activity where company engagements do not progress; and

6) Reporting annually on how the broader Scottish Widows' stewardship policy has been implemented.

More information on Scottish Widows' Stewardship Policy can be found here:

https://adviser.scottishwidows.co.uk/assets/literature/docs/60209.pdf

Voting and Engagement Policy: Equity

The Plan was invested in the following equity funds with Blackrock during the year ended 30 June 2020:

- BlackRock Aquila Connect 30:70 Currency Hedged Global Equity Index Fund
- BlackRock Aquila Connect UK Equity Fund

The Plan also has equity exposure through the LGIM Diversified Fund.

BlackRock General Voting Policy

BlackRock has a voting policy that is consistent across both equity funds used by the Plan.

BlackRock votes annually at over 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Their analysis is informed by their internally developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors at a company.

BlackRock does not use a service provider to vote on its behalf, although it does subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, which is considered along with several other inputs, including the company's own policy and disclosures and past engagements in voting and engagement analysis. BlackRock use the electronic voting platform provided by the ISS to execute voting instructions, manage client accounts and report on voting. In certain markets, BlackRock works with proxy voting providers to filter through proposals and flag any that may require additional research and engagement.

BlackRock periodically publishes detailed voting records with explanations of voting decisions in documents called 'vote bulletins'. These bulletins provide explanations of the most significant votes at shareholder meetings and is made public shortly after the meetings.

More information on BlackRock's approach to sustainability, including their annual stewardship reports and voting bulletins are available here:

https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history

Summary Voting Statistics - BlackRock Aquila Connect 30:70 Currency Hedged Global Equity Index Fund

	1 July 2019 – 30 June 2020
% resolutions voted	96%
% of resolutions voted against management	7%
% resolutions abstained	1%

BlackRock voted in 96% of resolutions through the reporting year within the Aquila Connect 30:70 Currency Hedged Global Equity Index Fund. 7% of these were voted against management, reflecting the BlackRock policy outlined previously. BlackRock state they do not believe they have significant votes to report regarding this fund for the period in question. However, we have provided commentary below on a voting example from the portfolio.

Of the 3,437 companies held in the portfolio, BlackRock conducted 1,925 engagements with 1,155 individual companies. They held multiple engagements with 41% of the individual companies engaged.

Voting Example: The Walt Disney Company (March 2020)

In March 2020 BlackRock voted in favour of all management proposals and against a shareholder proposal seeking disclosure on political lobbying. The management proposals included the election of directors, ratification of the appointed auditors, and others in relation to executive compensation and a stock incentive plan.

BlackRock stated that it voted with management as they will generally support the board where companies are making progress on key corporate governance issues. BlackRock engaged with The Walt Disney Company previously regarding its executive compensation plan, political spending and lobbying disclosure, and believes the board was responsive to shareholder feedback on both matters. These votes were cast in line with best practices detailed in BlackRock's commentaries on executive compensation and corporate political activities.

All management proposals were passed but the shareholder proposal was rejected, reflecting BlackRock's votes.

Engagement Example: Exxon Mobil Corporation (May 2020)

BlackRock held eight engagements with Exxon Mobil Corporation ('Exxon', an oil and gas corporation headquartered in Texas) over the year to 30 June 2020, including 4 in person meetings and 3 conference calls. BlackRock have flagged climate risk and transition-readiness as a key financial risk for companies in the years ahead and have been engaging with Exxon relatively more than other companies as they continue to see a gap in the company's disclosure and action about several components of its climate risk management. BlackRock see this as a corporate governance issue which could undermine the company's long-term financial sustainability.

Engagements primarily focused on encouraging the company to align to the reporting recommendations of the Task Force on Climate-related Financial Disclosure ('TCFD') and the Sustainable Accounting Standards board ('SASB'). Despite yearly incremental adjustments, BlackRock do not believe that full adherence with the TCFD has been achieved. In response to the lacking corporate governance, BlackRock voted against the re-election of the responsible directors in May 2020 and for a shareholder proposal requiring an independent board chair.

Summary Voting Statistics - BlackRock Aquila Connect UK Equity Fund

	1 July 2019 – 30 June 2020
% resolutions voted	100%
% of resolutions voted against management	4%
% resolutions abstained	1%

BlackRock voted in 100% of resolutions through the reporting year within the Aquila Connect UK Equity Fund. 4% of these were voted against management, reflecting the BlackRock policy outlined previously. BlackRock state they do not believe they have significant votes to report regarding this fund for the period in question. However, we have provided commentary below on a voting example from the portfolio.

Of the 751 companies held in the portfolio, BlackRock conducted 512 engagements with 296 individual companies. They held multiple engagements with 42% of the individual companies engaged.

Engagement and Voting Example: Barclays plc (May 2020)

BlackRock's investment stewardship team engage regularly with Barclays, including regular reviews of the company's governance structures and risk profile and providing feedback on business practices. Over the year to 30 June 2020 BlackRock held three formal engagements with Barclays covering issues including board compensation and effectiveness, climate risk management and operational sustainability.

In May 2020, BlackRock voted in favour of all management proposals and against a shareholder proposal which asked Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with the Paris Agreement. This resolution ('Resolution 1) had been filed by a coalition of investors in January 2020.

Following engagement with its shareholders and other stakeholders, including BlackRock, Barclays announced in March 2020 updated ambitions with respect to tackling climate change. Barclays proposed its own resolution ('Resolution 2') to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. Barclays has committed to provide further details of the strategy by the end of the year.

BlackRock (one of Barclays' top three shareholders) voted for Resolution 2 but against Resolution 1, which was with management on both occasions. BlackRock stated that support for both resolutions would have been problematic as they were both binding and believed that Resolution 2 was sufficient in addressing shareholder concerns as it set a clear ambition for the company to become net-zero and to align to the goals of the Paris agreement.

Resolution 1 received support from 24% of shareholders, meaning that while the resolution did not pass, Barclays will have to formally respond to its shareholders as there was support from over 20% of shareholders. Resolution 2 received support from 99.9%of shareholders and was passed.

Voting and Engagement Policy: Multi-Asset

The Plan was invested in the following multi-asset funds with Legal & General Investment Management ("LGIM") over the year to 30 June 2020:

- LGIM Diversified Fund

All voting decisions are made by LGIM's Investment Stewardship team in accordance with their relevant Corporate Governance, Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the voting decision process, thereby sending consistent messages to companies.

LGIM uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The LGIM Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports received from ISS for UK companies when making specific voting decisions

LGIM have a six-step approach to their investment stewardship engagement activities, broadly these are: 1) Identify the most material ESG issues 2) Formulate the engagement strategy 3) Enhance the power of engagement 4) Public Policy and collaborative engagement 5) Voting 6) Report to stakeholders on activity. More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

LGIM's top five engagement topics with companies are on climate change, remuneration, diversity, board composition and strategy. Over 2019, LGIM engaged with 493 companies and took sanctions against 11 companies named under their climate pledge as well as participating in about 30 engagements with regulators and policy-makers to improve standards globally.

Summary Voting Statistics – LGIM Diversified Fund

	1 July 2019 – 30 June 2020
% resolutions voted	97.7%
% of resolutions voted against management	18.4%
% resolutions abstained	0.5%

LGIM voted in 97.7% of resolutions through the reporting year within the Aquila Connect UK Equity Fund. 18.4% of these were voted against management, reflecting the LGIM policy outlined previously.

LGIM has provided information on four votes that they consider to be significant over the year to 30 June 2020.

Engagement and Voting Example: Amazon (May 2020)

In May 2020, 12 shareholder resolutions were put forward at the May annual general meeting, the most for a US company this proxy season. The proposals are listed below with the LGIM's vote and the overall outcome of each shown in brackets:

- Item 5: Create a report on effects of food waste (*For;* c.30% support)
- Item 6: Create a report on customer use of certain technologies (*For;* c.30% support)
- Item 7: Report on potential customer misuse of certain technologies (*For;* c.30% support)

- Item 8: Report on efforts to restrict certain products (*For;* c.30% support)
- Item 9: Request for a mandatory independent board chair policy (*For;* 16.7% support)
- Item 10: Create an alternative report on gender/racial pay (*For;* 15.3% support)
- Item 11: Report on certain community impacts (*Against;* 6.1% support)
- Item 12: Report on viewpoint discrimination (*Against;* 1.5% support)
- Item 13: Create a report on promotion data (*For;* 12.2% support)
- Item 14: Request for a reduction in threshold for calling special shareholder meetings (*For;* c.30% support)
- Item 15: Request for a specific supply chain report format (*For;* c.30% support)
- Item 16: Request for additional reporting on lobbying (*For;* c.30% support)

Of the 12 proposals, LGIM voted for 10 of these and against two (Items 11 and 12). LGIM have said that they investigated the individual merits of each proposal with disclosure improvements and structural governance improvements being key factors in their decision making.

Amazon had recommended that shareholders vote against all these proposals and as shown above most of the votes did not come away with majority support.

LGIM have and are continuing to engage regularly with Amazon given its significance in the market and widespread media attention. Engagement so far has touched on most aspects of environmental, social and governance ('ESG') issues, with particular emphasis on separation of CEO and board chair roles ('G'), details of the data transparency committed to in Amazon's Climate Pledge ('E') and establishment of workplace culture and employee health and safety ('S'). LGIM have flagged the 'S' engagement topics as particular areas of concern given concerning allegations from current and former employees regarding culture and sick leave during the Covid-19 pandemic. LGIM have said that they have discussed with Amazon the lengths they are going to adapt their working environment. LGIM believe their votes at the May 2020 annual general meeting back up these engagements.

Voting and Engagement Policy: Fixed income

The Plan holds fixed income investments through the following funds:

- BlackRock ICS Sterling Liquidity (short-term money market instruments)
- SW Dynamic Annuity Purchase (gilts and corporate bonds)

There are also some fixed income holdings in the LGIM Diversified Fund which is a multi-asset fund – engagement with debt issuers through the LGIM Diversified Fund is subject to the same LGIM wide policy laid out above.

The Trustees acknowledge that the concept of stewardship may be less applicable with respect to its fixed income investments, particularly for short-term money market instruments (as per the BlackRock ICS Sterling Liquidity Fund) and gilt investments (the SW Dynamic Annity Purchase).

All managers have provided information about their over-arching stewardship processes and examples of engagement where relevant, albeit on a manager level in some cases. Information on BlackRock's approach to stewardship is laid out in the above equity section and further information on Scottish Widows' approach is covered in the Stewardship Policy section.

Scottish Widows' engagement priorities for 2020-23 include adhering to the Paris agreement on climate change and carbon emissions including a particular focus on companies which have the highest CO_2 emissions and board diversity.

Summary

Overall, the Trustees are satisfied at present with the stewardship carried out on their behalf by the Plan's investment managers and Scottish Widows. In addition, the Trustees have worked in line with their policies and objectives set out in the SIP during the year.

The Trustees acknowledge that stewardship may be less applicable to certain asset classes, but generally would still expect to see Responsible Investment type policies and processes formalised and developed over time.

The Trustees will continue to use their influence to drive positive behaviour and change among the investment managers that they have employed to invest the assets of the Plan, and with other third parties that the Trustees receive advice from such as Aon. The Trustees will, as appropriate, set increasingly higher standards for these parties in future, and will monitor, assess and ultimately hold them to account to ensure that the assets of the Plan are appropriately invested.