Urenco UK Pension Scheme

Annual Implementation Statement – 5 April 2021

This Statement has been prepared by the Trustee of the Urenco UK Pension Scheme ("the Scheme"), and sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 5 April 2021 ("the Scheme year"). This Statement also includes a summary of the voting activity that was carried out on behalf of the Trustee over the Scheme year by the Scheme's investment managers.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year.

In Section 1 we outline the changes to the SIP over the Scheme year. The remainder of the Statement is then divided into two sections: the Defined Benefit Section ("DB Section") and the Defined Contribution Section ("DC Section").

1. Statement of Investment Principles

During the year, the Trustee reviewed and amended the Scheme's SIP on four occasions, taking formal advice from the investment consultant ("Mercer") on each occasion.

The main changes to the SIP[1] during the Scheme year reflect:

- The decision in May 2020 to invest 10% of the DB Section assets in Multi-Asset Credit and to reduce the allocation to diversified growth funds by 10% (revised SIP ahead of implementation, dated April 2020).
- During the Scheme year, the Trustee carried out a review of the SIP and a revised version dated September 2020 was agreed in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019. The new requirements are outlined in items 7 to 11 of the DB and DC section reviews later in this Statement. In order to establish these principles and produce this policy, the Trustee undertook investment training in May 2020.
- Changes made to the DC Section investment arrangements including introduction of a new default investment option, and revised lifestyle and self-selection options (revised SIP dated November 2020)
- Minor adjustments to the strategic split between the growth and matching assets for the DB Section (revised SIP agreed December 2020)

[1] Available at https://www.urenco.com/careers/urenco-uk-careers

2. DB Section

2.1. Investment Objectives

The objectives of the DB Section are as follows:

- *Invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest between the Trustee and the Principal Company, in the sole interest of the members and beneficiaries. In doing so the Trustee pays due regard to the Principal Company's position with respect to the size and incidence of employers' contribution payments.*
- *The Trustee has an investment objective that targets full funding by 2028 on a low risk basis (gilts + 0.5% p.a.). The purpose of this objective is to reduce the reliance on the covenant of the Principal Company.*

2.2. Assessment of how the policies in the SIP have been followed for the Scheme year

The information provided in the following sections highlights the work undertaken by the Trustee during the Scheme year for the DB Section and sets out how this work followed the Trustee's policies in the SIP. In summary, it is the Trustee's view that the policies in the SIP for the DB Section have been followed during the Scheme year.

Strategic Asset Allocation

	Policy	How the policy has been met over the Scheme year
1	Kind of investments to be held and the balance between different kinds of investments (Section 2.3 of SIP)	• The Trustee continued to review its journey plan throughout the Scheme year. Changes made to the Scheme's investments over the period included: • The termination of the Invesco Global Targeted Returns Fund (diversified growth fund ("DGF") mandate) in June 2020. The proceeds were invested in a Multi-Asset Credit ("MAC") mandate managed by Wellington. • The cancellation of the Scheme's commitment to M&G's Secured Lease Income Fund ("SLIF") in Q4 2020.
2	Risks, including the ways in which risks are to be measured and managed (Section 2.4 of SIP)	• As part of their regular quarterly investment performance monitoring, the Trustee monitored changes in the Scheme's exposure to various risks, including active management and manager-related risks. • The Trustee also discussed and reviewed the Scheme's plan for targeting full funding on a low-risk basis by 2028, including methods to reduce investment risk. • The Trustee manages interest rate and inflation risk by investing in Liability Driven Investment ("LDI") assets. In Q3 2020, the Trustee rebalanced the LDI benchmark to reflect changes to the Scheme's liability profile and increased the level of interest rate hedging in line with the time-based hedging triggers in place. The Trustee also kept collateral risk under review as part of quarterly monitoring. • As part of the decision to invest in MAC, the Trustee considered the impact of the increase in credit risk this would entail. • The Trustee also reviewed their risk register to ensure investment risks were accurately captured.

	Policy	How the policy has been met over the Scheme year
3	Expected return on investments (Section 2.3 of SIP)	• The Trustee reviewed the expected return on investments following the change in the investment strategy in Q2 2020, when 10% of Scheme assets was reallocated from DGF to MAC, and to allow for changes in market conditions. • As part of the quarterly investment performance reports, the Trustee monitored actual performance for each investment manager, and at a total Scheme level, relative to their respective benchmarks, and monitored managers' ability to meet their return targets via Mercer's manager ratings. There were no changes to the investment manager ratings over the Scheme year.

Investment Mandates

	Policy	How the policy has been met over the Scheme year
4	Securing compliance with the legal requirements about choosing investments (Section 1 of SIP)	• The Scheme's investment advisors provided updates on Scheme performance and, where required, ongoing appropriateness of the funds used, as well as advice on asset allocation and investment risks, during the Trustee and Investment Sub Committee meetings and via the quarterly investment reports. • Most notably, the Trustee received advice on the Scheme's investment into MAC and the suitability of Wellington as the investment manager. • Day-to-day management of assets is delegated to investment managers who are authorised and regulated by the relevant financial regulators.
5	Realisation of investments (Section 2.6 of SIP)	• The Scheme received its annual deficit contribution from the Company in April 2020. A proportion of this contribution was held in the Trustee Bank Account to fund expected short term cashflow requirements. The remaining funds were invested in line with the Scheme's cashflow policy. • Any disinvestments made over the year to meet cashflow requirements were implemented in line with the Trustee's cashflow policy. All cashflow requirements arising from the LDI portfolio were met from the other investments managed by Insight, in line with the Trustee's policy. • As part of the review of the investment arrangements, the Trustee is aware that the M&G Secured Property Income Fund is only realisable on a quarterly basis and Cantillon on a weekly basis. In addition, the RLAM credit fund trades on a monthly basis and depending on the size of investment or disinvestment a transition fund may be used to build up/reduce exposure over time. All other assets are daily-dealt.
6	Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments (Section 2.4 and Section 4 of SIP)	• The investment performance reports were reviewed by the Trustee on a quarterly basis, which include Mercer's investment and ESG research ratings for each fund. The Trustee remained comfortable with the ratings applied to the managers, and continues to closely monitor these ratings and any significant developments for the managers. • During the Scheme year, the Trustee reviewed how each manager's ESG rating compared with other managers in the same asset class. • Over the year, the Trustee terminated the appointment of Invesco's DGF due to sustained underperformance relative to the fund's target and a loss of conviction in Invesco's investment process. The allocation was replaced with the Wellington MAC fund which was deemed attractive given prospective returns from credit. • Non-financial matters have not explicitly been taken into account with regards to in the selection, retention and realisation of investments.

Monitoring the Investment Managers

	Policy	How the policy has been met over the Scheme year
7	Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies (Section 5.1 of SIP)	• The Trustee's policy on investment manager incentivisation was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • The Trustee used the information set out in the quarterly investment reports, including manager performance and Mercer's investment ratings, to review their manager appointments over the Scheme year. The Trustee also met with investment managers (M&G, Cantillon, RLAM, Wellington, Nordea and Ruffer) over the Scheme year to receive updates on the portfolio management team and to review the characteristics of the funds relative to the Scheme's objectives. • Over the year, the Trustee terminated the appointment of Invesco as outlined in item 6 above following disappointing performance relative to target over a prolonged period. The Trustee also cancelled the Scheme's commitment to invest in the M&G Secured Lease Income Fund due to diminished confidence in the outlook for the fund in the current market environment.
8	How the arrangement incentivises the investment 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 (Section 5.1 of SIP)	• The Trustee's policy on investment manager incentivisation was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • Over the year, the Trustee monitored how each investment manager chooses assets for investment and embeds ESG into their investment process, via changes in the investment and ESG ratings assigned by Mercer and through meetings with managers. Over the Scheme year, the ESG rating for RLAM's corporate bond fund was upgraded. • The Trustee has also received and considered key voting and engagement information from the managers, which is summarised in the Voting and Engagement section that follows. • Based on the information provided to them over the year from the managers and their investment adviser, the Trustee remains satisfied that managers are choosing investments based on their medium to long-term financial and non-financial performance and are engaging appropriately with issuers of debt and / or equity on factors that will affect the issuer's long-term performance, such as ESG considerations.
9	Evaluation of the investment manager's performance and the remuneration for asset management services (Section 5.2 of SIP)	• The Trustee's policy on performance evaluation and remuneration was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • The Trustee received, and considered, performance reports produced on a quarterly basis, which presented performance information and commented on the funds they invest in over various time periods. The Trustee reviewed absolute performance and relative performance against a suitable index used as a benchmark and / or against the managers' stated target performance on a net of fees basis. • As part of the decision to invest in Wellington's MAC fund, the Trustee negotiated with Wellington to reduce the fee paid for their services. No other changes were made to managers' remuneration over the Scheme year.

	Policy	How the policy has been met over the Scheme year
10	Monitoring portfolio turnover costs (Section 5.3 of SIP)	• The Trustee's policy on monitoring portfolio turnover costs was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • The Trustee received, where applicable, MiFID II reporting from the investment managers, but does not currently analyse the information. The Trustee assessed investment performance net of the impact of costs and fees. • The Trustee continues to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee will, at least on annual basis, ask managers to report on portfolio turnover costs.
11	The duration of the arrangement with the investment manager (Section 5.4 of SIP)	• The Trustee's policy on the duration of an investment manager's appointment was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • Over the Scheme year, the Trustee terminated the appointment of Invesco as outlined above.

ESG, Stewardship and Climate Change

	Policy	How the policy has been met over the Scheme year
12	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters) (Section 4 of SIP)	• The Trustee delegated engagement activities with companies to the investment managers. • All of the Scheme's investment managers (where relevant), excluding Nordea, have confirmed they are signatories of the 2012 UK Stewardship Code. All of the Scheme's investment managers, with the exception of Cantillon, have sought approval to be signatories of the 2020 Code. Cantillon are considering whether to sign up (however, their mandate was terminated in June 2021). Nordea have published information consistent with the new Code reflecting their support for the Stewardship Code. • As outlined above, the Trustee monitored the investment and ESG ratings assigned to each manager by Mercer.

Voting Disclosures

	Policy	How the policy has been met over the Scheme year
13	The exercise of the rights (including voting rights) attaching to the investments (Section 4 of SIP)	• The Trustee delegated voting activities to the investment managers. • The Trustee has requested key voting activities from their managers over the Scheme year. The information received is summarised in Sections 2.4 and 2.5 of this Statement.

2.3. Engagement Activity – DB Section

BlackRock Global and Emerging Market Equity

- BlackRock is a **signatory of the previous version of the UK Stewardship Code** and is actively engaged in corporate governance. They have sought approval to be signatories of the 2020 Code.

- BlackRock had **2,896 company engagements in the year to 31 March 2021** via the global equity fund, **covering 1,762 different companies**. Examples of engagement themes included climate risk and environmental impact management, human capital management and social risks, and board composition and executive remuneration.

- BlackRock had **405 company engagements in the year to 31 March 2021** via the emerging market equity fund, **covering 275 different companies**. Examples of engagement themes included climate risk management and operational sustainability, governance structure and social risks, and board composition and corporate strategy.

Cantillon Global Equity

- Cantillon is a **signatory of the UK Stewardship Code**.

- In April 2020, **Cantillon met with Primerica** (a US Financial Services firm) and suggested that they enhance their corporate governance practices by adding a right for shareholders to be able to convene a special meeting (with a minimum threshold of 25%). Primerica have agreed to consider this addition when the company's charter is next amended.

- In April 2020, **Cantillon liaised with Equifax's** (a US consumer credit reporting firm) **'governance' team** to talk about their upcoming proxy vote and other compensation, legal, and regulatory matters. It was noted that Equifax scored very poorly on "Carbon and Climate" in their ESG matrix, mainly because of insufficient data and disclosure. The governance team reported that they have been trying to calculate more information on emissions, etc. but this requires time and resources. Cantillon asked the governance team to report to the CEO that they thought improving Equifax's ESG disclosure would be worthwhile and reinforced this advice in their next direct conversation with the CEO. **Equifax has since begun to devote more resources to ESG disclosure**.

Engagement by other Investment Managers

RLAM review climate change & carbon emissions

RLAM held a meeting with Southern Water to hear an update on their continued work to overhaul the company culture and improve environmental performance.

RLAM are confident with the company’s direction, with the company committing to provide information and implement practices to uplift performance. However they are aware that there is still some distance to go until the investment in pollution and leakage related infrastructure is seen in performance figures.

RLAM also met with Lloyds Banking Group to discuss the company’s ambitions to lower the carbon emissions it is financing by 50% over the next 10 years, along with a number of broader ESG topics. RLAM’s questions focused on the broader loan book across its motor financing arm and the emissions Lloyds finance in their residential mortgage book.

Lloyds provided RLAM with information on current and future measures that will make a significant impact on the reduction of carbon-intensive financing.

Insight addresses RPI Reform and green gilts

Insight has engaged on proposed reforms to the UK's Retail Prices Index (RPI) – reforms which could have negative implications for millions of pensioners.

Insight made its response to the consultation available to clients and consultants to provide an additional information point to help others prepare their own responses.

A notable development in 2020 was the announcement by the UK government that it will issue its first green gilt in 2021, subject to market conditions.

Insight engaged with the UK Debt Management Office on the proposed issuance to provide additional detail, including how the funds raised will be spent, what other countries are doing and the benefits to pension schemes from investing.

Wellington engage with electric utility company Engie

Wellington engaged with Engie, a French multinational electric utility company, whose bonds were held in the Multi-Sector Credit fund. The firm learned that the company has reworked their Diversity & Inclusion (“D&I”) strategy, introducing two new initiatives:

- A 50/50 project that seeks to achieve 50% women in management by 2030;
- A goal of achieving a score of 100 on France's gender equity index for the whole group.

The company has developed a comprehensive action plan and tools for these initiatives and plan to officially launch in 2023 and accelerate over the following years with interim goals.

Wellington came away from the call impressed by the company's transparency and in-depth insights into their action plans around D&I and believes the company is on track to deliver solid progress.

Engagement by other Investment Managers

Ruffer review ExxonMobil's carbon emissions

Ruffer engaged with the company directly to stress that they would like ExxonMobil to further align its strategy with the goals of the Paris Agreement and accept responsibility for its scope 3 emissions.

Ruffer were cognisant of the progress made by European oil and gas companies in recent months, therefore advised ExxonMobil, as one of the largest oil and gas companies in the world, to join the Energy Transition Commission.

ExxonMobil have made limited progress in this area since the 2019 Annual General Meeting, therefore Ruffer supported a resolution for an independent board Chair.

The resolution failed, however Ruffer are continuing to work with ExxonMobil in this area as part of their ongoing engagement with the company.

Nordea assess manufacturers' labour policies

Nordea engaged with Cisco over the year to address supply chain issues.

Cisco appeared as one of several multinationals in a report highlighting the issues of Uyghur repression and forced labour across manufacturing sits in China.

Nordea met with Cisco's Investor Relation and senior Supply Chain representatives to discuss how Cisco determines accountability in its own organisation, how their code of conduct is cascaded down the supply chain, how audits are performed and their view on supply chain transparency.

Cisco evidenced that it does not work with any of the companies or manufacturing sites named in the report. The company also revealed they are working with the Responsible Business Alliance (RBA) and are in discussion with the organisation which report the report to determine appropriate actions to issues such as these.

M&G engage with property tenants

M&G continually engage with tenants that occupy the Fund's real estate holdings, through ESG meetings typically occurring every quarterly or semi-annually.

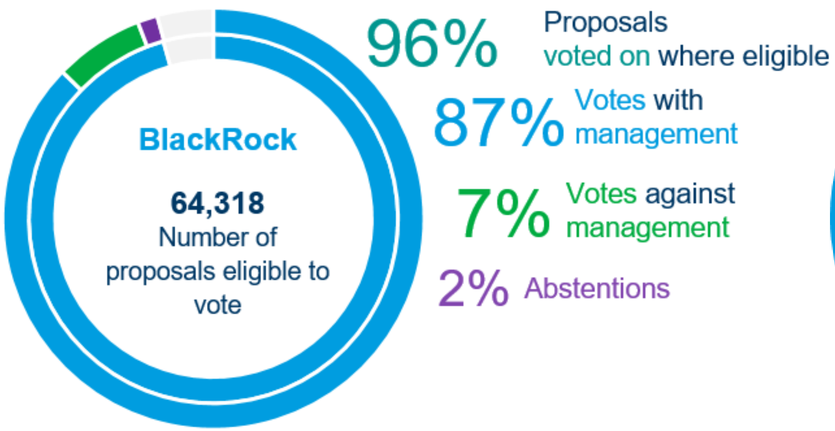
Through meetings with Tesco, M&G and Tesco identified shared ESG aspirations including working towards a Net Zero emissions target and discussed potential initiatives for these targets via M&G's leased assets.

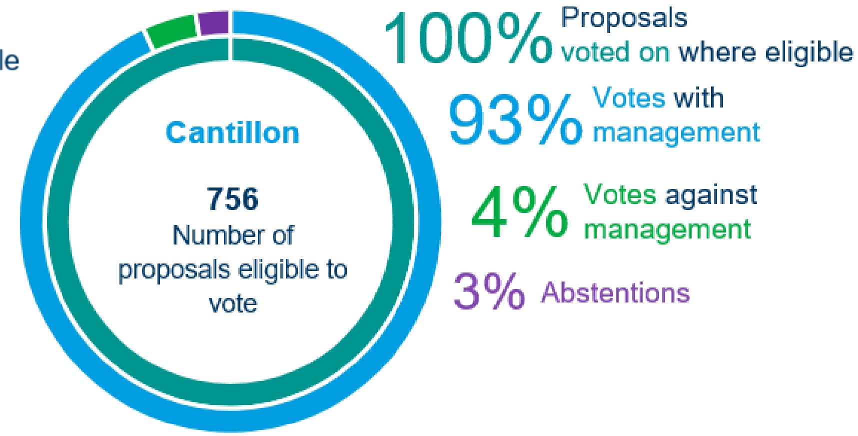
Following discussions, Tesco and M&G have replicated the plans underway for Tesco's freehold properties, including installing charging points for electric vehicles in store car parks. Discussions have also commenced on introducing solar panels for stores.

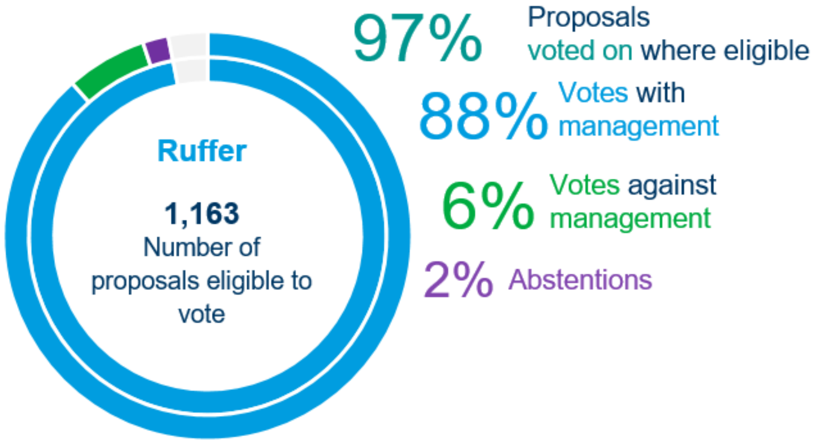
M&G have also engaged with David Lloyd to discuss similar initiatives, such as ground source heat pumps and boreholes. David Lloyd have shared their energy data with M&G and have also installed boreholes on some sites, reducing mains water usage.

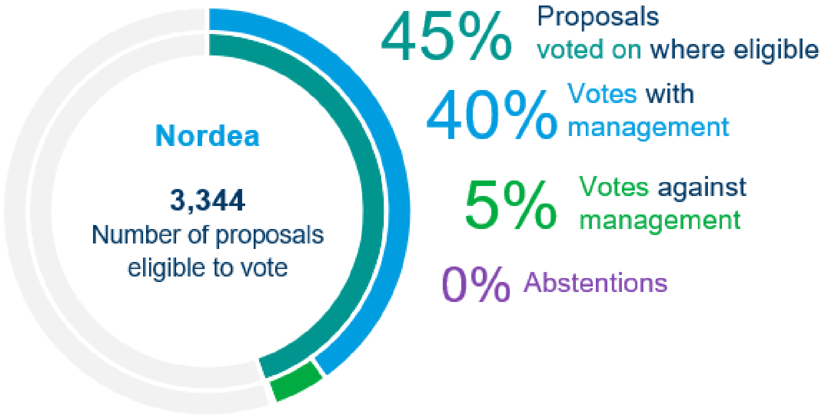
2.4. Voting Activity during the Scheme Year

A summary of the voting activity for the Scheme's equity and DGF managers is set out below. Over the prior 12 months, the Trustee has not actively challenged the investment managers on their voting activity. The Trustee does not use the direct services of a proxy voter, however some of the Scheme's investment managers use research and proxy-related services to assist with the mechanics of voting.









Votes "for / against management" assess how active managers are in voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur.

Some proposals were abstained – reasons include selling the stock during the period between the record date and AGM date, and conflicts of interest.

During the Scheme year, **Nordea voted on less than half of their eligible proposals.** This was a result of the specific methodology used by the manager to decide which proposals to vote on, primarily based on the value of the holding and the ownership level in the specific company. Nordea have since updated their voting approach, with a goal to heavily increase voting over the next two years.

2.5. Voting Activity during the Scheme Year

There is no official definition of what consistitutes a signficant vote; managers have adopted a variety of interpretations such as:

- The proxy-voting service (ISS) has scored the company vote very poorly (<10) and ISS has recommended voting against a proposal
- The vote is severely against the manager’s principles and the manager believes they need to enact change
- The vote is expected to have a material financial outcome and therefore impact the manager’s clients
- The size of the holding in the fund / mandate is significant

A sample of significant votes for the Scheme’s equity and DGF managers is set out below. The ‘Vote by Management’ and the ‘Vote by Manager’ highlights whether the company management team and manager voted for (✓) or against (×) the sample proposals shown below. A rationale for their decision is provided.

Manager	Issuer	Date	Vote Category	Proposal	Vote by Manager	Vote by management	Rationale
Cantillon	Facebook	27/05/2020	Governance	Management Proposal to Approve Non-Employee Director Compensation Policy	×	✓	Cantillon voted against the proposal as the proposed director pay program would provide relatively large compensation for directors compared to board members at other companies in the same market index and industry sector. The proposal also provided onboarding equity grants to new directors valued at $1m, which is outsized and not in line with the company's peers or general market practices.
	Alphabet	03/06/2020	Governance	Management Proposal to Amend Omnibus Stock Plan	×	✓	Cantillon’s concerns on the omnibus stock plan related to the estimated cost, plan features and grant practices. The plan provided for the transferability of stock options without shareholder approval; the plan cost was excessive as was the three-year average burn rate; the disclosure of change-in-control vesting treatment was incomplete; the plan permitted liberal recycling of shares and the plan allowed broad discretion to accelerate vesting.
BlackRock	Barclays Plc	07/05/2020	Environment	Approve Barclays' Commitment to Tackling Climate Change	✓	✓	Barclays proposed its own resolution at its annual general meeting (“AGM”) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. The independent fiduciary determined that, as outlined in the proposal, the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders’ concerns for the time being and was therefore supportive of management.

Manager	Issuer	Date	Vote Category	Proposal	Vote by Manager	Vote by management	Rationale
BlackRock	Royal Dutch Shell Plc	19/05/2020	Environment	Set and publish targets for Greenhouse Gas (GHG) emissions	☒	☒	The shareholder proposal requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. BlackRock considered that Shell already had some of the most ambitious climate targets in the industry on all relevant Scopes (1,2,3) and that the company already makes comprehensive climate-related disclosures in a dedicated Climate Report (aligned with the Task Force on Climate-Related Financial Disclosures 'TCFD'), in the sustainability report and the annual report. Given this and Shell's responsiveness to shareholder engagement, BlackRock were supportive of management.
Ruffer	Mitsubishi Electric	26/06/2020	Governance	Vote for re-election of independent director	☒	☑	While Ruffer appreciated the recent changes to the board structure, including that sub-committees are now chaired by independent directors, the firm still had concerns over independent director Takashi Oyamada. Ruffer does not believe that Oyamada is independent given he is a senior advisor to MUFG Bank which holds shares in Mitsubishi Electric and therefore voted against the proposal.
Nordea	Oracle	03/11/2020	Social	Report on Gender Pay Gap	☑	☒	Oracle is lagging other large IT companies when it comes to reporting on gender pay gap. Nordea have noted they will continue to support shareholder proposals on this issue as long as the company is not showing substantial improvements.

3. DC Section

3.1. Investment Objectives

The objectives of the DC Section are as follows:

- *Ensure there are appropriate investment options to allow members to plan for retirement.*
- *Arranging for the provision of general guidance to members (as appropriate) as to the purpose for each investment option.*
- *Encourage members to seek independent financial advice from an appropriate person in determining the profile of their own investments.*

3.2. Assessment of how the policies in the SIP have been followed for the Scheme year

The information provided in the following section highlights the work undertaken by the Trustee during the Scheme year for the DC Section and sets out how this work followed the Trustee's policies in the SIP.

In summary, it is the Trustee's view that the policies in the SIP for the DC Section have been followed during the Scheme year.

Strategic Asset Allocation

	Policy	How the policy has been met over the Scheme year
1	Kind of investments to be held and the balance between different kinds of investments (Section 3.1 & 3.3 of SIP)	• Over the Scheme year, the Trustee completed their review of the DC Section provider, including the investment arrangements, and implemented changes in November 2020, including: ○ The default investment strategy now targets a retirement destination of income drawdown rather than annuity purchase, as the Trustee believes this is the most likely way members will access their benefits at retirement. ○ The addition of two white-labelled funds, the 'Urenco PS Passive Global Equity' and the "Urenco PS Diversified Growth Fund' to be used as the growth phase of the Scheme's default investment strategy. The passive global equity fund is also available for self-select. ○ The self-select range was consolidated in order to rationalise the number of passively managed global equity options, and to remove a small number of actively managed options.

	Policy	How the policy has been met over the Scheme year
2	Risks, including the ways in which risks are to be measured and managed (Section 3.4 of SIP)	• As part of their regular quarterly investment performance monitoring, the Trustee monitored changes in the Scheme's exposure to various risks, including active management and manager-related risks. In addition as part of the finalisation of the review of the DC Section investment arrangements, the Trustee considered the risks within the funds, for example, active management risk, currency risk, environmental, social and governance risks. • The Scheme maintains a detailed risk register of the key risks, including the investment risks. A full review of the risk register from a DC perspective took place in Q1 2021. • The Trustee undertook a review of Value for Members Assessment that assesses performance and charges relative to various benchmarks. • The Trustees also received administration reports which are reviewed to ensure that core financial transactions were processed within Service Level Agreements and regulatory timelines. At certain points during the year, service levels were below what the Trustee expected, at which point they discussed this with the administrator.
3	Expected return on investments (Section 3.3 of SIP)	• Over the year, the Trustee received investment performance reports on a quarterly basis monitoring the investment performance of the funds within the Default investment lifestyle, the self-select funds and the alternative lifestyle arrangements, looking at the funds' performances against their benchmarks over both short and longer-term periods. • In addition to the quarterly investment performance reports, the Trustee received 'dashboards' from their investment advisor showing Mercer's manager ratings and key metrics about the Scheme. The Value for Members Assessment analysis also provided comparisons of performance and charges. • Members that have selected their own investments determine the balance between different types of investments they hold, which will determine the expected return on investments.

Investment Mandates

	Policy	How the policy has been met over the Scheme year
4	Securing compliance with the legal requirements about choosing investments (Section 1 of SIP)	• As part of the review of provider and investment arrangements, changes to both the Scheme's default investment and the self-select range took place over the year, going 'live' in November 2020. As part of these changes, the Trustee sought formal investment advice consistent with the requirements of Section 36 of the Pensions Act 1995. Day-to-day management of assets is delegated to investment managers who are authorised and regulated by the relevant financial regulators. • The Scheme's investment advisors provided updates on the ongoing appropriateness of the funds used, during the Trustee and Investment Sub Committee meetings and via the quarterly investment reports.

5	Realisation of investments (Section 3.6 of SIP)	• All funds, including those in the default strategy, are daily-dealt pooled investment arrangements. Therefore, assets should be realisable at short notice, based on member and Trustee demands. • During the year, transactions in the Aegon Property Fund (available as a self-select option) was suspended as a consequence of exceptional market conditions leading to material price uncertainty in the property market. The Trustee obtained advice from its investment adviser in relation to the suspension of this Fund and members' contributions were redirected to the Cash Fund. The Trustee is closely monitoring the property fund, with support from its investment advisor.
6	Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments (Section 3.4 and Section 4 of SIP)	• The investment performance reports were reviewed by the Trustee on a quarterly basis, which include Mercer's investment and ESG research ratings for each fund. The Trustee remained comfortable with the ratings applied to the managers, and continues to closely monitor these ratings and any significant developments for the managers. • During the Scheme year, the Trustee reviewed how each manager's ESG rating compared with other managers in the same asset class. • Member views have not explicitly been taken into account with regards to non-financial matters in the selection, retention and realisation of investments

Monitoring the Investment Managers

	Policy	How the policy has been met over the Scheme year
7	Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies (Section 5.1 of SIP)	• The Trustee's policy on investment manager incentivisation was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • The Trustee used the information set out in the quarterly investment reports, including manager performance and Mercer's investment ratings, to review their manager appointments over the Scheme year. • Over the year, the Trustee finalised a number of investment changes, as outlined earlier in this Section.

	Policy	How the policy has been met over the Scheme year
8	How the arrangement incentivises the investment 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 (Section 5.1 of SIP)	• The Trustee's policy on investment manager incentivisation was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • Over the year, the Trustee monitored, with support from their investment advisor, how each investment manager chooses assets for investment and embeds ESG into their investment process, via changes in the investment and ESG ratings assigned by Mercer. • The Trustee has also received and considered key voting and engagement information from the managers, which is summarised in the Voting and Engagement section that follows. • Based on the information provided to them over the year from the provider and their investment adviser, the Trustee remains satisfied that underlying managers are choosing investments based on their medium to long-term financial and non-financial performance and are engaging appropriately with issuers of debt and / or equity on factors that will affect the issuer's long-term performance, such as ESG considerations.
9	Evaluation of the investment manager's performance and the remuneration for asset management services (Section 5.2 of SIP)	• The Trustee's policy on performance evaluation and remuneration was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • The Trustee reviewed the remuneration for the investment managers as part of the annual Value for Member Assessment. This also outlined the negotiated fees that were included in Aegon's provider review response, which showed an improvement in value for members. The final negotiated fees with Aegon were implemented with the new arrangements in November 2020. • The Trustee received, and considered, performance reports produced on a quarterly basis, which presented performance information and commented on the funds they invest in over various time periods. The Trustee reviewed absolute performance and relative performance against a suitable index used as a benchmark and / or against the managers' stated target performance on a net of fees basis.

10	Monitoring portfolio turnover costs
	(Section 5.3 of SIP)
		• Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), were disclosed in the annual Chair's Statement).
		• The Trustee is required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs:
		  o No industry-wide benchmarks for transaction costs exist
		  o The methodology leads to some curious results, most notably "negative" transaction costs

	Policy	How the policy has been met over the Scheme year
11	The duration of the arrangement with the investment manager (Section 5.4 of SIP)	• The Trustee's policy on the duration of an investment manager's appointment was added during the year to reflect the new requirements outlined earlier in Section 1 of this Statement. • Over the Scheme year, the Trustee reviewed performance over a variety of periods. As part of the review of the investment arrangements they terminated three funds based on poor long term performance on a net of fees basis.

ESG, Stewardship and Climate Change

	Policy	How the policy has been met over the Scheme year
12	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters) (Section 4 of SIP)	• As the funds are multi-client funds, the Trustee has delegated engagement activities with companies to the investment managers. • All of the Scheme's investment managers have confirmed they are signatories of the 2012 UK Stewardship Code and they are seeking or considering seeking to be signatories to the 2020 UK Stewardship Code. • As outlined above, the Trustee monitored the investment and ESG ratings assigned to each manager by Mercer, and these ratings were considered as part of the decision making process in the review of investment arrangements.

Voting Disclosures

	Policy	How the policy has been met over the Scheme year
13	The exercise of the rights (including voting rights) attaching to the investments (Section 4 of SIP)	• As the funds are multi-client funds, the Trustee has delegated voting activities to the investment managers. • The Trustee has requested key voting activities from their managers over the Scheme year. The information received is summarised in Sections 3.4 and 3.5 of this Statement.

3.3. Engagement Activity From the Underlying Managers

BlackRock Global and Passive and Active Equity Funds

- BlackRock engagement activity is cover under Section 2.3

MFS Global Equity

- In March 2021, **MFS engaged with senior representatives from Activision Blizzard** to discuss the company's compensation program, which was supported by less than 60% of shareholders at the 2020 annual meeting, with the CEO and chair of the company's compensation committee. MFS discussed their concerns with the 2020 proposal, as well as the compensation committee's responsiveness to this. The committee is in the process of redesigning the compensation plan and has shared that the CEO's base salary has been reduced and certain special bonus plans have terminated.

- In the first quarter of 2021, **MFS held multiple conference calls with Rolls Royce Holding's** Chief People Officer and Chief Sustainability Officer. The discussions were around the company's decarbonisation plans and how their technology can help other companies decarbonise. MFS found that sustainable aviation fuels were already used for both large and small engines, but regulations constrained their use and will do for some time. MFS plan to closely monitor and engage with the company as they progress towards net zero emissions, and their strategic investment in technology.

Insight (manager of the fund underlying the Urenco Diversified Growth Fund)

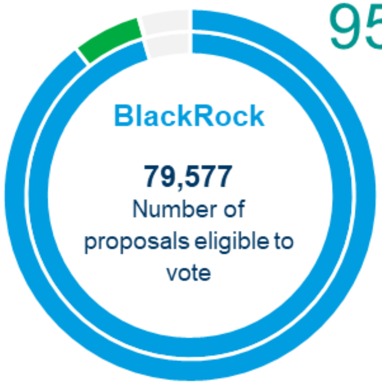
- **Insight engaged with HICL Infrastructure over the 12 months to 31 March 2021** regarding financial performance and strategy. Insight's objectives from the engagement were to review the portfolio cash generation and the reduction in cash dividend coverage that was highlighted in the annual and interim reports. Dividends are a key component in the expected total returns from the portfolio's listed infrastructure exposures. Therefore, significant changes in the underlying cashflow generation capability have the potential to affect expected returns. Insight engaged with the company four times over the 12 months to March 2021, meeting once with the Board and thrice with the underlying asset manager. After discussing cashflow generation potential from the underlying investments, Insight have continued to monitor portfolio exposures for pandemic impact and remain comfortable that expected cashflow generation remain broadly unchanged.

Aegon Asset Management – Example of engagement, not specific to the Ethical UK Equity Fund

- **Throughout 2019 and 2020, Aegon engaged with a major energy company.** They called on the company to minimise their dependence on thermal coal, while also improving disclosure relating to thermal coal as part of the company's commitment to become climate neutral by 2050. For a time, the company was excluded from Aegon's investment universe due to the scale of the company's coal mining exceeding Aegon's policy threshold. As a result of Aegon's engagement, the company increased the level of detail, transparency and disclosure related to coal mining operations. Aegon continues to engage with the company to reduce its reliance on thermal coal.

3.4. Voting Activity during the Scheme Year

A summary of the voting activity for the Scheme's equity and DGF managers is set out below. Aegon and BlackRock data is over the Scheme year reflecting their role in the Scheme over this whole period. MFS data is over the whole of the Scheme year (data from their appointment, November 2020 is not available). Insight data is for Q1 2021 (data from November 2020 is not available). Over the prior 12 months, the Trustee has not actively challenged the investment managers on their voting activity. The Trustee does not use the direct services of a proxy voter, however some of the Scheme's investment managers use research and proxy-related services to assist with the mechanics of voting.



95% Proposals voted on where eligible

94% Votes with management

6% Votes against management

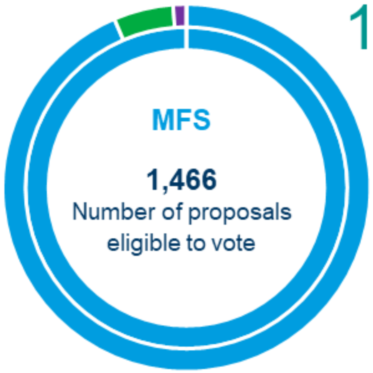
0% Abstentions

100% Proposals voted on where eligible

98% Votes with management

1% Votes against management

1% Abstentions

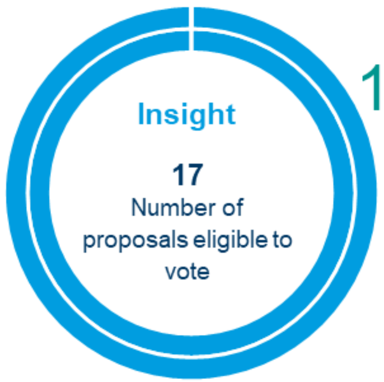


100% Proposals voted on where eligible

94% Votes with management

5% Votes against management

1% Abstentions



100% Proposals voted on where eligible

100% Votes with management

0% Votes against management

0% Abstentions

Votes "for / against management" assess how active managers are in voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur.

Some proposals were abstained – reasons include selling the stock during the period between the record date and AGM date, and conflicts of interest.

3.5. Sample of significant votes

There is no official definition of what consistitutes a signficant vote; managers have adopted a variety of interpretations such as:

- The proxy-voting service (ISS) has scored the company vote very poorly (<10) and ISS has recommended voting against a proposal The vote is severely against the manager's principles and the manager believes they need to enact change
- The vote is expected to have a material financial outcome and therefore impact the manager's clients
- The size of the holding in the fund / mandate is significant

A sample of significant votes for the Scheme's equity managers is set out below. BlackRock sample votes are outlined in section 2.5. The 'Vote by Management' and the 'Vote by Manager' highlights whether the company management team and manager voted for (✓) or against (✗) the sample proposals shown below. A rationale for their decision is provided.

Manager	Issuer	Date	Vote Category	Proposal	Vote by Manager	Vote by management	Rationale
MFS	The Walt Disney Company	09/03/2021	Governance	Report on Governance Measures Implemented Related to Opioids	☒	☑	MFS voted against the management, against advisory shareholder approval for the compensation for Named Executive Officers. MFS voted against the proposal as they considered the proposed compensation to be excessive, particularly the compensation awarded to a former Chief Executive Officer despite their change in role and responsibilities.
Aegon Asset Management	Standard Life	12/05/2020	Governance	To approve the Company's remuneration policy	☑	☑	Aegon voted with management, for a new remuneration policy within Standard Life. After many years of concern with the structure of remuneration at Standard Life where Aegon believed the remuneration structure was overly complicated, they raised the topic with the Chair of the Remuneration Committee and asked them to review the Policy a year early and to simplify Standard Life's Long Term Incentive Plan. Aegon believes the new policy is far more palatable with Shareholders.