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# The AXA UK Group Pension Scheme - SIP Implementation Statement

## Introduction

This SIP Implementation Statement (“the Statement”) has been prepared by the AXA UK Group Pension Trustees Limited (“the Trustee”) in relation to the AXA UK Group Pension Scheme (“the Scheme”).

This is the first Statement produced by the Trustee as required by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended). The regulations state that the Statement must (amongst other matters):

- › set out how, and the extent to which, in the opinion of the Trustee, the Statement of investment principles (“SIP”) has been followed during the year;
- › describe any review of, and explain any changes made to, the SIP during the year; and
- › describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the year and state any use of the services of a proxy voter during that year.

Based on regulatory requirements, the Statement will cover the period from 1<sup>st</sup> April 2020 to the end of the Scheme’s financial year on 31<sup>st</sup> March 2021. There were separate sections within the SIP for both the DB and DC elements of the Scheme. The Statement is therefore split accordingly, to reflect the differing content and relevance to different members.

The Statement is split into three sections:

1. an overview of the Trustee’s actions and highlights during the period covered;
2. the policies set out in the SIP for both the DB and DC sections and the extent to which they have been followed in the reporting period; and
3. the voting behaviour and significant votes undertaken by the fund managers on behalf of the Scheme.

## SIP Updates

The DB and DC SIP that is most relevant for this reporting period is the document last updated on 29 September 2020.

This update of the SIP ensured that the Scheme complied with the amendments to investment regulations applying to occupational pension schemes, which incorporated the Shareholder Rights II Directive (“SRD II”) into UK law and required pension scheme SIPs to be updated to include further details on:

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- › The arrangements with investment managers, including how they are incentivised to behave and invest in line with the Trustee’s policies and how the Trustee will monitor each manager’s performance, fees and portfolio costs; and
  - › Engagement policy, including the exercise of the rights (including voting rights) attached to the investments.

SRD II applies more widely than just to pension schemes. The directive aims to further encourage appropriate long-term investment decision-making and engagement.

## **Overview of Trustee’s Actions - DB**

### ***Investment Objectives and Strategy***

During the reporting period there was no change to the Scheme’s overall full funding objectives.

There were a few amendments to the strategic asset allocation of the DB Scheme over the financial year. These include disinvestments from AXA IM UK Credit, M&G Alpha Opportunities & Grosvenor Multi-Strategy fund. A number of additional investments were made, for example into a corporate bond mandates with Alliance Bernstein and AXA IM.

Overall, the Scheme’s agreed strategic asset allocation reflects the Trustee’s view of the most appropriate investments, balancing risk/reward characteristics of the funds the Scheme is invested in, to support the Scheme’s full funding objective.

### ***Trustee’s policies for investment managers***

The Trustee relies on investment managers for the day-to-day management of the Scheme’s assets but retains control over the Scheme’s investment strategy.

The Investment Managers are responsible for the day-to-day management of the Scheme’s assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements (“IMAs”) or pooled fund prospectuses. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. The Investment Managers report to the in-house team regularly regarding their performance, which in turn reports back to the Trustee. Each of the investment managers’ fees are related to the amount of assets managed within their portfolios. Minimum fees may also apply in some cases.

### ***Final Remarks***

As demonstrated in the following sections of this Statement, the actions the Trustee has undertaken during the relevant reporting period reflect the policies within the Scheme’s SIP. Any changes to the investment strategy agreed during the period but implemented after the period had ended will be reported against in the next Implementation Statement.

The responsibility for managing the Scheme’s holdings is delegated to its fund managers. The Trustee believes that the Scheme’s fund managers are well placed to engage with invested companies on environmental, social and governance (“ESG”) matters, given their knowledge of the company and the level of access they have to company management. This is also a pragmatic approach because of the number of stocks owned by the Scheme, and the amount of time corporate entities have available for

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single investors. However, the Scheme sets out its expectations to its asset managers in terms of Corporate Governance via its Statement of Investment Principles.

The Trustee believes that it should act as a responsible steward of the assets in which the Scheme invests as this can improve the longer-term returns of its investments. The Trustee notes that sustainable financial outcomes are better leveraged when supported by good governing practices, such as board accountability.

## **Review of DB SIP Policies**

The Trustee last reviewed the Scheme's DB Statement of Investment Principles in September 2020. The SIP was updated following proposals from the Scheme's investment advisers to incorporate new regulatory requirements to disclose the Trustee's policies in relation to arrangements with asset managers and how conflicts of interest are managed, as well as other areas. The Scheme's investment advisers drafted changes to the SIP which were subsequently approved by the Scheme's investment subcommittee. The following changes were made to the Scheme's SIP during the last year:

- Addition of information relating to the Scheme's investment strategy and the desire to invest the majority of the portfolio in low risk cashflow generative assets as to match as much of the liability cashflows as is affordable;
  - Addition of information regarding the DB Section's cashflow matching strategy in the balance between different kinds of investments and the expected return on investments section;
  - Addition of information on the Scheme's approach to investment managers;
  - Addition of information on mismatch risk, which is related to the Scheme's implementation of a cashflow matching strategy;
  - Addition of information on longevity risk and how this is monitored;
  - Addition of information on expense risk, which is defined as the risk that Scheme expenses exceed those that have been budgeted for;
  - Addition of information on member option risk, which is defined as the risk that fewer pensioners exercise the option to transfer out of the Scheme before retirement than is forecast;
  - Addition of information on liquidity risk and how this is both monitored and managed in context of the Scheme's cashflow requirements and the assets marked to fund them;
  - Addition of information relating to the Scheme's approach to incorporating ESG considerations into the investment process;
  - Addition of information relating to Trustee's beliefs on stewardship and engagement;
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- Addition of information relating to the Trustee's monitoring and review process of its approach to Environmental, Social and Governance ("ESG") considerations.

Overall, the Trustee is satisfied that:

- The Scheme's DB investments have been managed in accordance with the DB SIP; and
- The provisions in the DB SIP remain suitable for the Scheme's DB members.

The table on the following page sets out the policies within the DB section of the SIP and the evidence that these were followed.

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Policy	Has the policy been followed?	Evidence
<b>Funding Objectives</b>		
<p>The ultimate aim of the Trustee is to ensure that the Scheme achieves full funding and, once fully funded, it is able to meet pension payments in full as they fall due as well as meet expenses of the fund and in doing so also minimising any potential shortfall. In other words, that the Scheme is self-sufficient.</p> <p>The discount rate used to target the Scheme's ultimate self-sufficiency basis is consistent with that of the liabilities. This is recalculated annually. As at the 31 March 2020 valuation update this equated to an overall discount rate of Gilts + 1.20% p.a.</p> <p>The Trustee target a full funded Scheme by the date of the 2028 formal valuation.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The position of the Scheme against its self-sufficiency objective is reviewed on a quarterly basis by the Trustee, with clear written advice provided by either the in-house team or the Investment Consultant if either party deem the Scheme to be moving away from this target.</p>

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## Investment Strategy

The investment strategy is set by the Trustee cognisant of the funding objectives, the actuarial valuation and the Principal Employer Covenant. The overall aim of the strategy is to allow the Scheme to achieve its investment objective without taking unacceptable risks to do so.

The Trustee seek to invest the majority of the portfolio in low risk cashflow generative assets to match as much of the liability cashflows as is affordable. As the Scheme becomes better funded they will look to increase the proportion of the portfolio in cashflow generative assets.

Yes, the Trustee is satisfied that this policy has been followed.

The Trustee works closely with its advisers to ensure that the investment strategy remains appropriate.

As at March 2021, c.28% of the Scheme's hedging cashflows were matched with most of the matching being achieved for terms under 30 years.

The Trustee continues to identify opportunities to increase the proportion of the portfolio in cashflow generative assets.

The Trustee is also considering ways in which the implementation of additional cashflow matching could be made more efficient. One example of this is the consideration of how a de-risking trigger framework could be implemented.

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Policy	Has the policy been followed?	Evidence
<b>Risk Management</b>		
<p>The Trustee recognise and monitor a number of risks. In doing so the Trustee consider the risk of both investment risk alongside other non-investment risk to ensure the overall risk of the Scheme is within the Trustee agreed tolerance.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The SIP lists a number of risk factors that the Trustee believes may result in a failure to meet the agreed objectives. The Trustee monitors and manages these risk factors through measures specific to each risk on a quarterly basis. It seeks guidance and written advice from its Investment Consultant as appropriate</p>

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**Balance between different kinds of investments & the expected return on investments**

The strategic asset allocation benchmark is designed to ensure that the Scheme's investments are adequately diversified and that the strategic distribution across asset classes provides a reasonable level of confidence that the level of returns required to meet the Scheme's liabilities is achieved with an acceptable level of risk.

The Trustee considers the long-term mixture of assets in relation to the Scheme's liabilities through an integrated asset/liability study. As a result of this analysis, the Trustee adopt an asset allocation specific to the requirements of the Scheme, taking into account expected returns, risk and liquidity on different asset classes.

The investment strategy takes due account of the maturity profile (in terms of the relative proportions of liabilities in respect of pensioners and deferred members), together with the level of disclosed surplus or deficit (relative to the funding bases used). It is intended that investment strategy will be reviewed at least every three years, following actuarial valuations.

Yes, the Trustee is satisfied that this policy has been followed.

The strategic asset allocation benchmark has been reviewed by both the investment consultant and the AXA UK Pension Strategy Team ("PST") on behalf of the Trustee over the course of the Scheme year. Particularly, the expected return and risk figures are closely monitored by the PST.

The investment advisers are available to provide written comment if it is deemed that the overall risk/return profile is not suitable to meet the Scheme's objectives.

The overall liquidity profile of the Scheme was also monitored throughout the Scheme year to ensure that the overall allocation to illiquid assets did not exceed an agreed budget.

The cashflow matching strategy that is being implemented by the Scheme takes account of the maturity profile of the liabilities to ensure that it matches cashflows as precisely as possible. The Scheme's more traditional liability hedging strategy via its LDI mandate is also being reviewed and amended in light of the cashflow-matching strategy.

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Policy	Has the policy been followed?	Evidence
<b>Kinds of investment to be held</b>		
<p>The assets of the Scheme may be invested in quoted and unquoted securities on UK and overseas markets, mostly including, but not restricted to, equities, fixed interest bonds, index-linked bonds, property, hedge funds and cash. Use may also be made of derivatives and other contracts for the purpose of efficient portfolio management or management of investment risk.</p> <p>The assets will not be invested directly in securities issued by the Employer or its ultimate parent AXA S.A., in securities issued by associate companies of the investment managers, or in companies which contravene the Ottawa Convention.</p> <p>The Trustee will also consider, from time to time, requests from the Employer not to hold, or not to increase, or to sell certain types of securities or asset strategies. Trustee decisions on such requests will recognise at all times that the Trustee's primary responsibility is to act in the best financial interests of the beneficiaries of the Scheme and that the Trustee must not engage in the day-to-day management of the assets.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The assets that the Scheme is invested into fall into the categories set out in the SIP.</p> <p>No assets issued directly by the sponsoring employer were held over the course of the Scheme year.</p> <p>There were no requests over the course of the year from the sponsoring employer on which assets not to hold.</p>

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### Day-to-day asset management

The Trustee delegates the day-to-day management of the assets of the Scheme to a number of investment managers. Investment managers are carefully selected to manage each of the underlying mandates following guidance and written advice from the investment adviser(s).

As required under Section 36 of the Pensions Act 1995, the Scheme's investment adviser supporting the Trustee on a manager selection will provide written advice on new manager appointments in respect of the "satisfactory" nature of the investments.

Yes, the Trustee is satisfied that this policy has been followed.

Manager selection follows a rigorous due diligence process supported by the Scheme's investment advisor (Redington), the Scheme's manager selection consultant (Mercer), the Scheme's legal advisor (Travers Smith), and the company.

This process is recorded and documented, and with Section 36 letters being obtained for all managers selected to provide services to the Scheme.

Where specialist knowledge is required, the Scheme engages dedicated consultants to support the due diligence and selection process.

The Trustee, through its quarterly Investment Committees, monitors the Scheme's asset managers' performance against any appropriate benchmarks and to ensure that the portfolios are being managed consistently with Scheme's strategic objectives.

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Policy	Has the policy been followed?	Evidence
<b>Considered Risks</b>		
<p>The risks, as per stated in the SIP are assessed and monitored regularly.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The SIP lists a number of risk factors that the Trustee believes may result in a failure to meet the agreed objectives. The Trustee monitors and manages these risk factors through measures specific to each risk on a quarterly basis. It seeks guidance and written advice from its Investment Consultant as appropriate.</p>

Policy	Has the policy been followed?	Evidence
<b>Environmental, Social and Governance Considerations</b>		
<p>The Trustee believes that ESG factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.</p> <p>The Trustee supports a three phased approach to incorporating ESG considerations into the investment process.</p> <ul style="list-style-type: none"> <li>• At the outset the Trustee has adopted a policy consistent with that of the Scheme Sponsor’s Policy and implements it where practicable. Where it cannot be incorporated into the investment process, the Trustee adopts the best practice ESG considerations of Investment Managers.</li> <li>• The second phase is the construction of a comprehensive ESG monitoring framework encompassing all viable assets.</li> <li>• The final phase will be the implementation of a Scheme specific ESG policy.</li> </ul>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee has reached phase two of its approach to incorporating ESG factors into the investment process.</p> <p>All investment management mandates incorporate the Scheme Sponsor’s ESG policy into the Investment Management Agreements to ensure accountability of the ESG considerations.</p> <p>The Trustee has implemented an ESG factor monitoring framework across the Scheme, and continues to evolve the framework in line with market best practice.</p> <p>The Trustee has begun work on defining a Scheme specific ESG policy with a view to implementing it across the Scheme’s assets in 2022.</p>

Policy	Has the policy been followed?	Evidence
<b>Stewardship and engagement</b>		
<p>The Trustee recognises that good stewardship practices, including engagement and voting activities, are an important part of general Scheme governance as they help preserve and enhance asset owner value over the long term.</p> <p>Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.</p> <p>The Trustee expects their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social and governance considerations, and using voting rights to effect the best possible long-term outcomes.</p> <p>The Trustee assesses the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments. This review occurs on an annual basis and focuses on determining whether the investment managers have acted in line with this policy.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee exercises rigorous due diligence in the manager selection process and ensures that in selection the investment manager is situated to provide long term success to the Scheme within its mandate.</p> <p>The Trustee monitors the implementation and management activities of the Scheme's investment managers, as well as performance on a quarterly basis.</p> <p>Periodically the Trustee meets with the Scheme's investment managers, supported by the Scheme's advisors, to engage in detailed analysis of each mandate to ensure the managers approach and activities continue to align to the long term best interests of the Scheme.</p> <p>The Scheme does not hold any physical asset whereby the Trustee has a voting right. It is noted the Scheme's equity exposure is obtained synthetically.</p>

Policy	Has the policy been followed?	Evidence
<b>Monitoring and reviewing of ESG</b>		
<p>The Trustee will monitor the Scheme’s assets against its approach to ESG on an ongoing basis with the assistance of its investment advisors.</p> <p>The development of its approach to ESG is viewed as an ongoing process, with the Trustee reviewing its approach periodically in line with the SIP. When reviewing its approach, the Trustee will take account of any significant developments in the market.</p> <p>In order to further formulate the ESG integration alongside the broader risk management framework, the Trustee will update the SIP when they are comfortable that they have fully addressed this topic.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee has implemented an ESG factor monitoring framework across the Scheme and continues to evolve the framework in line with market best practice.</p> <p>With support from the Scheme’s advisors and the Sponsor, the Trustee monitors ESG factors across the Scheme’s assets on a quarterly basis, and continues to evolve it’s reporting to be in line with market developments in capability and scope.</p>

## DC Scheme Investment changes over the year to 31 March 2021

Over the Scheme year (from 1 April 2020 to 31 March 2021) which this Statement covers, the majority of assets within the Scheme were transferred to a master trust arrangement with the WTW LifeSight master trust. Assets transferred to this new arrangement in December 2020. From this stage onwards the responsibility of the governance of the majority of the Scheme’s investments passed to the trustee of the LifeSight Master Trust. Following this transfer, the only funds remaining in the Scheme are the AXA Property Fund (managed by Aegon) and the AXA Cash Fund (managed by BlackRock). These funds relate to Freechoice property fund which some Scheme members had historically self-selected to invest in. These funds remained in the Scheme because the property fund was suspended to investments in or out at the time of the transition to master trust. The Trustee is aiming to transfer these remaining funds to the WTW LifeSight master trust at the earliest appropriate opportunity.

This Statement covers the full period from 1 April 2020 to 31 March 2021, including compliance with policies and voting statistics prior to the transfer of assets to the LifeSight master trust.

## Review of DC SIP Policies

The Trustee last reviewed the Scheme’s DC Statement of Investment Principles in September 2020. The SIP was updated following proposals from the Scheme’s investment advisers to incorporate new regulatory requirements to disclose the Trustee’s policies in relation to arrangements with asset managers and how conflicts of interest are managed, as well as other areas. The Scheme’s investment

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advisers drafted changes to the SIP which were subsequently approved by the Scheme's investment subcommittee. The following changes were made to the Scheme's SIP during the last year:

- Addition of an appendix which summarises the Trustee's approach to investment governance;
- Addition of confirmation that the Trustee will report on the Scheme's managers' practices in an annual Implementation Statement;
- Addition of consideration of the age profile of the Scheme's membership and investment time horizon as an investment risk;
- Addition of information relating to investment beliefs including topics such as ESG factors, climate risk and active stewardship;
- Addition of information relating to the Trustee's selection of Scheme funds;
- Addition of information relating to the Trustee's policy on manager incentivisation;
- Addition of information relating to the Trustee's policy on portfolio turnover;
- Addition of information relating to the Trustee's policy on portfolio duration;
- Addition of information on the creation of inadvertent and temporary default arrangements;
- Addition of information in relation to consideration of financially material factors in investment arrangements; and
- Inclusion of the Trustee's policy on managing conflicts of interest.

Overall, the Trustee is satisfied that:

- The Scheme's DC investments have been managed in accordance with the DC SIP; and
- The provisions in the DC SIP remain suitable for the Scheme's DC members.

The following table sets out the policies within the DC section of the SIP and the evidence that these were followed.

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Policy	Has the policy been followed?	Evidence
<b>Investment governance</b>		
<p>The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations. The Trustee is comprised of Trustee Directors who are responsible for looking after the money you and other members have invested in our Scheme.</p> <p>The Trustee has established a sub-committee which focuses on the DC section and makes recommendations to the whole Trustee board.</p> <p>The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the platform provider and fund managers.</p>	<p>Yes, the Trustee is satisfied that the aims and objectives for investment options are in accordance with the DC SIP because:</p> <ul style="list-style-type: none"> <li>• The default arrangement which was reviewed on 25 April 2019 remained suitable for most members.</li> <li>• The other investment options remain suitable for members as a result of the review which was carried out on 25 April 2019</li> </ul> <p>The governance structure of the WTW LifeSight master trust was appropriate for members to be transitioned into following due diligence which was undertaken by the Trustee and company between December 2019 and March 2020, prior to the transfer.</p>	<p>On 26 February 2018, the Trustee carried out a review of the default arrangement and other investment options to ensure they remained suitable for the majority of members, and in line with the objectives outlined in the SIP.</p> <p>This included confirming that the default investment option and Freechoice fund range were appropriate given:</p> <ul style="list-style-type: none"> <li>• Members' age and salary profile;</li> <li>• Members' projected personal account sizes at retirement;</li> <li>• Contribution levels; and</li> <li>• The likely return on investment, after the deduction of charges payable on the funds</li> </ul> <p>Following advice from its DC consultant, the trustee did not find any issues requiring immediate action.</p> <p>The Trustee considered the appropriateness of the new proposed investment options available arrangements within the WTW LifeSight master trust, between December 2019 and March 2020 and concluded that it was appropriate after receiving professional advice.</p>



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## Investment beliefs

The Trustee has further developed its investment beliefs which are set out in the DC SIP on page 10 which it uses as a guide when making investment decisions.

Yes, the Trustee has made investment decisions in accordance with the investment beliefs in the DC SIP and has expanded its investment beliefs on ESG and climate change during the Scheme year.

During the Scheme year the Trustee, with the help of its DC consultant, reviewed its investment beliefs and concluded that ESG and climate change are financially material sources of risk and opportunity for investments. The Trustee accordingly updated the Scheme's SIP to reflect updated beliefs in respect of Environmental, Social and Governance (ESG) and climate change risks.

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Policy	Has the policy been followed?	Evidence
<b>Expected risks and returns</b>		
<p>The investment risks relating to members' DC benefits are described in the DC SIP on pages 5 to 7 and the expected returns from each type of investment used by the Scheme are set out in the DC SIP on page 9.</p>	<p>Yes, the Trustee maintained its policies in relation to expected risks and returns because:</p> <ul style="list-style-type: none"> <li>• The Trustee believes that the main investment risks members face described in the SIP did not change materially over the last year, up to the point that the scheme transitioned to the WTW LifeSight master trust;</li> <li>• The Trustee is satisfied that the expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks that members face within the remaining funds; and</li> <li>• The Trustee's views on the long-term mix of investments for the Scheme's lifestyle options including the default arrangement and bespoke AXA Zone funds did not change during the last year, up to the point that the Scheme transitioned to the WTW LifeSight master trust.</li> </ul>	<p>On 26 February 2018, the Trustee carried out a review of the investment strategy, including the investment risks which members face, and concluded that the default strategy remained suitable for the majority of members and that the 'Freechoice' funds offered to members who want to make their own choices were also appropriate.</p> <p>For the period up to the transition to master trust, the Trustee monitored the performance of the investment arrangements on a quarterly basis. Following the move of the majority of Scheme assets and members to the WTW LifeSight master trust, the Trustee stopped quarterly monitoring, and instead monitors the remaining funds on an ad hoc basis, regularly checking in with the provider Aegon, to understand when a transfer of the property assets will be possible.</p>

Policy	Has the policy been followed?	Evidence
<b>Choice of platform providers and funds</b>		
<p>The Trustee will periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.</p>	<p>Yes, the Trustee was satisfied that the Scheme's provider, Aegon, and its fund range and governance was suitable in accordance with the Scheme's SIP. However, although the Trustee was satisfied that the platform provider used by the Scheme was suitable, after consultation with AXA, the Company, the Scheme was transferred away from the platform provider to an alternatively governed 'master trust' arrangement, no longer under the responsibility of the Trustee. A small portion of funds remained in the AXA Property Fund (managed by Aegon) and the AXA Cash Fund (managed by BlackRock) due to temporary liquidity restrictions.</p>	<p>The Trustee monitors the performance of the funds used by the DC section of the Scheme with the help of its DC consultant, who produces a quarterly fund performance monitoring report, using data provided by Aegon which provides both the administration and investment platform for the Scheme.</p> <p>In conjunction with AXA, the Company, the Trustee undertook a review of the investment platform provider and funds during the Scheme year. The review concluded that members could receive a strong service alongside potential cost-savings by transitioning to a master trust arrangement. As a result of the review, most of the Scheme's funds moved to the LifeSight master trust in December 2020.</p>

Policy	Has the policy been followed?	Evidence
<b>Ability to invest/disinvest properly</b>		
<p>It's important that members contributions can be invested promptly in the default arrangement or the investment options they have chosen and that their investments can be sold promptly when they want to change where they are invested, transfer their pension pot to another scheme or their benefits are due to be paid out when they retire.</p> <p>As stated on page 13 of the SIP, the platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction on the ability for members to do so.</p>	<p>Yes, the Trustee is satisfied that money can be invested in and taken out of the Scheme's funds, except for the property fund, without delay as set out in the DC SIP.</p> <p>During the Scheme year, in common with many funds which invest directly in commercial property (offices, shops, factories and warehouses), the AXA Property Fund (managed by Aegon) was temporarily suspended and it has not been possible to invest or disinvest money from this fund. In the meantime, contributions are instead being invested in the AXA Cash Fund.</p> <p>The Trustee was alerted to this development by the platform provider, Aegon, and then liaised with Aegon to ensure that members were communicated with regarding the situation.</p> <p>The Trustee believes that these are temporary issues which have not materially affected members' interests over the longer term.</p>	<p>All funds which the Scheme invests in have the ability to be bought or sold on a daily basis, under normal market conditions. The Trustee ensures this happens as a part of its monitoring of the platform provider's services.</p> <p>Quarterly reports from the provider, Aegon, on the processing of financial transactions and other administration processes against the agreed service levels showed that there were no delays for members investing or withdrawing money except for the property fund.</p> <p>The Trustee is aiming to transfer the remaining funds in the AXA Property Fund and the AXA Cash Fund to the WTW LifeSight master trust at the earliest appropriate opportunity.</p>

Policy	Has the policy been followed?	Evidence
<b>Changes in where funds are invested</b>		
<p>Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.</p>	<p>Yes, the Trustee is satisfied that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives as outlined in the Scheme's SIP.</p>	<p>The Trustee annually monitors the volume of buying and selling of the assets in which each fund is invested, and records this in an annual Chair's Statement. With the help of its professional DC consultant, the Trustee has reviewed the level of turnover within the Scheme's assets and concluded that it's in line with expectations for the investment strategies which are used. The most-recent Chairs Statement covers the year to 31 March 2021.</p>

Policy	Has the policy been followed?	Evidence
<b>Security of assets</b>		
<p>In addition to the normal investment risks faced when investing in the funds used by the Scheme, the security of members savings in the Scheme depend upon:</p> <ul style="list-style-type: none"> <li>• The financial strength of the investment platform provider used by the Scheme;</li> <li>• The financial strength of the fund managers used by the investment platform; and</li> <li>• The legal structure of the funds the Scheme invests in.</li> </ul> <p>The financial strength of the platform provider and the fund managers has a bearing on the risk of losses to the Scheme's DC members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.</p>	<p>The Trustee is satisfied that its policy regarding management of this risk has been followed.</p>	<p>The Trustee last reviewed the security of assets within the Scheme on 25 May 2017 and there have been no changes to the structure of the funds used by the Scheme since the date of this review.</p>

Policy	Has the policy been followed?	Evidence
<b>Conflicts of interest</b>		
<p>As described on page 15 of the DC SIP, the Trustee considers potential conflicts of interest when appointing or monitoring platform providers and investment managers' funds on the provider's platform choosing fund managers.</p> <p>The Trustee expects the fund managers to invest the Scheme's assets in the members' best interests.</p>	<p>Yes, the policy in the Scheme's SIP has been followed and the Trustee is satisfied that there have been no material conflicts of interest during the Scheme year which might affect members' benefit expectations.</p>	<p>As the funds used by the Scheme are held at arms-length from the Trustee via an investment platform, the Trustee has asked Aegon to provide reports on its own investment governance of the funds including potential conflicts of interest. As described in the DC SIP, the Trustee considers potential conflicts of interest when appointing platform providers and choosing investment manger's funds on the provider's platform, by ensuring that each investment manager has an appropriate conflict of interest policy in place.</p> <p>Conflicts of interest were considered when the Trustee reviewed the appropriateness of the new master trust arrangements.</p>

Policy	Has the policy been followed?	Evidence
<b>Manager incentives</b>		
<p>As described on pages 11 to 12 of the DC SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.</p> <p>The funds used by the Scheme are held at arms-length from the Trustee via an investment platform. Nevertheless, the Trustee believes it is in the platform provider's best commercial interests to ensure that the fund managers are suitably incentivised to meet their funds' investment objectives.</p>	<p>Yes, the Trustee has reviewed the Scheme's manager in accordance with the Scheme's SIP and is satisfied that the fund managers are suitably incentivised to deliver good outcomes for the Scheme's members.</p>	<p>The Trustee will periodically review the Scheme's choice of provider to ensure their charges and services remain competitive. The Trustee believes that this is one of the most effective ways of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.</p> <p>The provider was considered over the last Scheme year as part of the Scheme's Value for Members Statement, dated 31 March 2020.</p>



Policy	Has the policy been followed?	Evidence
<b>Responsible and sustainable investment</b>		
<p>The Trustee believes that responsible investing covers both sustainable investment and effective stewardship of the assets the Scheme invests in.</p> <p>The Trustee believes that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called “ESG” factors) can have on the value of the Scheme’s investments and in turn the size of your retirement benefits.</p> <p>At present, whilst ESG funds are increasing in popularity, inclusion in the default strategy is not yet the standard approach. The Trustee has endeavoured to cater for member’s ESG views through the self-select funds.</p>	<p>Yes, the Trustee is satisfied that its responsible and sustainable investment policy in the Scheme’s SIP has been followed.</p>	<p>The Trustee periodically reviews the platform provider’s and fund managers approaches to sustainable investing. The Trustee receives reports from the platform provider on how the fund managers have handled these risks.</p> <p>Further information related to responsible investment (and particularly stewardship) is given in the appendix.</p>

Policy	Has the policy been followed?	Evidence
<b>Investment stewardship</b>		
<p>As described on page 15 of the DC SIP, the Trustee believes it is important that the fund managers as shareholders or bond holders take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).</p> <p>As the Scheme's investments are held at arms-length from the Trustee and members through an investment platform operated by Aegon, the Trustee is not able to instruct the fund managers how they should vote on shareholder issues. The Trustee nevertheless:</p> <ul style="list-style-type: none"> <li>• Aims to choose fund managers whose voting policy are consistent with the Scheme's objectives; and</li> <li>• Expects fund managers to vote in a way which enhances the value of the funds in which the Scheme invests.</li> </ul> <p>The Trustee aims to meet with the key underlying investment managers for the Scheme on an annual basis and to request that the investment platform provider and fund managers provide details of any change in their house voting and engagement policies on an annual basis.</p>	<p>The Trustee is satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the DC SIP.</p>	<p>In order to dedicate more time to the process of considering the transition to new master trust arrangements, the Trustee did not meet with the underlying investment managers over the last Scheme year nor review the house voting policies of the underlying investment managers.</p> <p>The Trustee monitored the voting activity of key funds used with the default strategy on a quarterly basis, up to the point of the transition to the WTW LifeSight master trust.</p> <p>The Trustee has received a summary of the most significant shareholder votes and how the fund managers voted during the Scheme year. This data from the platform provider, Aegon, is presented in the appendix of this Statement.</p>

Policy	Has the policy been followed?	Evidence
<b>Ethical investing</b>		
<p>The Trustee recognises that some members will have strong views on where their pension savings should be invested.</p> <p>The Trustee conducts periodic surveys to ascertain members' views on non-financial factors relating to the Scheme's investments.</p>	<p>The Trustee's approach to ethical investing has not changed.</p> <p>The Trustee is satisfied that the Scheme offers ethical investment options for members in accordance with the DC SIP.</p>	<p>The Scheme offers members a choice of funds which includes:</p> <ul style="list-style-type: none"> <li>• AXA SRI Fund; and</li> <li>• AXA Sharia Law Passive Fund.</li> </ul> <p>Nevertheless, the Trustee recognises that it is not possible to cater for everyone's views on non-financial/ethical matters.</p> <p>The Trustee monitors the investments held by the Scheme's ethical investment options. The last review which considered this was on 26 February 2018.</p> <p>The most recent periodic survey of members' views by the Trustee was conducted in June 2017.</p>

### Voting behaviour in DC Section

The funds with voting rights attached that are available to members as part of the default fund range are listed below along with summary voting statistics for each fund.

- (1) BlackRock 30:70 Currency Hedged Global Equity Index Fund
- (2) Schroders Diversified Multi-Asset Fund
- (3) Invesco Global Targeted Returns Fund
- (4) Aegon Asset Management (formerly Kames) Absolute Return Bond Fund

	1	2	3	4*
No. of resolutions eligible to vote	58,994	9,898	5,035	N/A
% resolutions voted	95.8%	99.0%	98.3%	N/A
% resolutions voted against management	6.9%	8.7%	5.6%	N/A
% resolutions abstained	1.7%	0.2%	0.5%	N/A

\* The Aegon Asset Management Absolute Return Bond fund invests in fixed income asset classes only and as such doesn't hold securities with voting rights.

The Trustee uses this information to assist in its ongoing monitoring of the Scheme's investment arrangements.

The Trustee also considers how the fund managers voted on specific issues. 'Significant votes' are either companies with relatively large weightings in the funds members invest in, or where there were shareholder issues that members are expected to have an interest. The Trustee is aware that their investment managers may have used proxy voting services such as Institutional Shareholder Services ("ISS"), with some of the significant votes below highlighting instances where managers have voted against the recommendation from the proxy adviser. Significant shareholder votes and how the fund managers voted during the last year were:

### BlackRock

Date	Company	Subject	Manager's vote
27 May 2020	Amazon Inc.	Shareholder Proposals: Item 5: Create a report on effects of food waste Item 6: Create a report on customer use of certain technologies Item 7: Report on potential customer misuse of certain technologies Item 8: Report on efforts to restrict certain products Item 9: Request for a mandatory independent board chair policy Item 10: Create an alternative report on gender/racial pay Item 11: Report on certain community impacts Item 12: Report on viewpoint discrimination Item 13: Create a report on promotion data Item 14: Request for a reduction in	BlackRock voted for all four proposals from Amazon's management but voted against all 12 shareholder proposals as they determined Amazon to already be actively addressing those material issues raised by the shareholder proposals. Furthermore, they argued that some of the proposals were too prescriptive in their request for additional information, including the report on the racial/gender pay gap.

		<p>threshold for calling special shareholder meetings</p> <p>Item 15: Request for a specific supply chain report format</p> <p>Item 16: Request for additional reporting on lobbying</p>	
22 September 2020	Tesla	Shareholder proposal item 5: adopt a simple majority vote structure.	BlackRock voted in favour of this proposal as they believe that a simple majority voting structure gives additional protections to minority investors. They believe that this forms a part of wider governance concerns as Tesla shareholders do not elect each director annually; action cannot be taken by written consent; shareholders cannot call special meetings and there is no right to proxy access to nominate directors.

### Schroders

Date	Company	Subject	Manager's vote
28 April 2020	Wells Fargo & Company	Report on Incentive-Based Compensation and Risks of Material Losses	Schroders voted in favour of a resolution for a proposal to ask the company for a report on incentive-based compensation as Schroders believes that the proposal does not appear to be overly burdensome and shareholders would benefit from additional meaningful disclosure regarding potential risks inherent in the company's broad-based employee compensation schemes.
14 May 2020	United Parcel Service, Inc.	Report on Climate Change	Schroders voted in favour of a resolution for a proposal to ask the company for a report on its efforts to reduce carbon emissions and align its operations with the Paris Agreement. Schroders believes that, while the company does have initiatives and targets in place, those do not appear ambitious enough given how emission intensives its operations are.

### Invesco

Date	Company	Subject	Manager's vote
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22 April 2020	AerCap Holdings NV	Authorize Board to Exclude Pre-emptive Rights from Share Issuances Under Item 9.a	The manager voted for this proposal because it believes that it is line with commonly used safeguards regarding volume and duration.
18 May 2020	ASM International NV	Authorize Board to Exclude Pre-emptive Rights from Share Issuances	The manager voted for this proposal because it believes that it is line with commonly used safeguards regarding volume and duration.
28 April 2020	Bayer AG	Ratify Deloitte GmbH as Auditors for Fiscal 2020	The manager voted for this proposal because it believes that there are no concerns regarding this proposal, and it is not aware of any issues that would impact the suitability of the proposed auditor.

### Final Remarks

Overall, the Trustee has demonstrated key actions for the Scheme during the relevant reporting period that show how it continues to make investment decisions in line with the policies set out in the SIP.

The reporting period for this Statement covers 1st April 2020 to 31st March 2021. Any actions undertaken by the Trustee after this date will be covered in the next Statement. From a stewardship and engagement perspective, the Scheme is limited in its scope to directly influence how asset managers invest and engage with underlying companies due to the range of investments they use. However, where applicable the Trustee does seek to incorporate its voting and engagement policies into its appointment terms with managers.