

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 Statement has been 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 April 2021 to the end of the Scheme’s financial year on 31 March 2022. 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 in August 2021 to reflect the Trustee’s updated Responsible Investment policy.

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 investing in AXA IM Global Secured Assets and M&G Alpha Opportunities. There was also an increase in the size of the AXA IM Long Lease allocation within the strategic asset allocation. Due to the success of the investment strategy over the Scheme year, there was also a large increase in the proportion of cashflow matching assets. This reflects the Trustee’s objective of investing the majority of the portfolio in low risk cashflow generative assets as to match as much of the liability cashflows as is affordable.

Overall, the Scheme’s agreed strategic asset allocation continues to reflect 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.

Implementation Statement

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 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 August 2021. The following changes were made to the Scheme's SIP during the last year:

- Addition of information relating to the Scheme's funding objectives;
- Addition of information relating to the balance between different kinds of investments;
- Addition of information relating to the Scheme's approach to Responsible Investment, including both a policy and a strategy for implementation of the policy;
- Addition of information regarding Trustee targets on 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 pages sets out the policies within the DB section of the SIP and the evidence that these were followed.

Implementation Statement

Policy	Has the policy been followed?	Evidence
Funding Objectives		
<p>The ultimate aim of the Trustee is to ensure that the Scheme is able to meet pension payments in full as they fall due, meet expenses of the fund and minimise the risk of 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 Technical Provisions liabilities. This is recalculated annually. As at 31 March 2022 this equated to an overall discount rate of Gilts + 1.14% p.a.</p> <p>The Trustee target a full funded Scheme by 2031.</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>
Investment Strategy		
<p>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.</p> <p>The Trustee seeks 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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee works closely with its advisers to ensure that the investment strategy remains appropriate.</p> <p>As at March 2022, c.53% of the Scheme's hedging cashflows were matched with most of the matching being achieved for terms under 30 years.</p> <p>The Trustee continues to identify opportunities to increase the proportion of the portfolio in cashflow generative assets, with the cashflow matching proportion rising from 28% of total assets to 53% over the year and with additional commitments to cashflow matching assets made post Scheme year end.</p> <p>The Trustee is also considering ways in which the collateral position of the Scheme could be more effectively managed, particularly with respect to utilising these credit assets. Several proposed solutions are being considered post year-end.</p>
Risk Management		
<p>The Trustee recognises and monitors a number of risks. In doing so the Trustee considers 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>

Implementation Statement

Policy	Has the policy been followed?	Evidence
Balance between different kinds of investments & the expected return on investments		
<p>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.</p> <p>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.</p> <p>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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>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.</p> <p>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.</p> <p>The overall liquidity profile of the Scheme was also monitored throughout the Scheme year to ensure that the overall allocation to illiquid assets remained below 40%</p> <p>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.</p>
Kinds of investment to be held		
<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>

Implementation Statement

Policy	Has the policy been followed?	Evidence
Day-to-day asset management		
<p>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).</p> <p>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.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Manager selection follows a rigorous due diligence process supported by the Scheme's investment advisor (Redington), the Scheme's ad-hoc manager selection consultant (Mercer), the Scheme's legal advisor (Travers Smith), and the company.</p> <p>This process is recorded and documented, and with Section 36 letters being obtained for all managers selected to provide services to the Scheme.</p> <p>Where specialist knowledge is required, the Scheme engages dedicated consultants to support the due diligence and selection process.</p> <p>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 regards to the Scheme's strategic objectives.</p>
Considered Risks		
<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>

Implementation Statement

Policy	Has the policy been followed?	Evidence
Responsible Investing Policy		
<p>The Trustee consider they have a responsibility towards its members including the impact the Scheme's asset portfolio has on our society at large.</p> <p>In pursuing an RI policy, the Trustee reference the overriding objective of attaining full funding for the Scheme. They therefore consider the policy in the context of required return and risk budget while framing changes in the context of the length of time the Trustee consider it necessary to reach this target.</p> <p>It is in this context that the Trustee have mandated the development of a global approach to responsible investment issues which takes into account inclusion of ESG issues in investment processes, from a performance and risk management perspective; and also controversial sectors.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee reviews the ESG characteristics of the Scheme's portfolio at the quarterly investment committees, this includes ESG ratings on a global and portfolio-by-portfolio level, the warming potential of the asset holdings and associated carbon footprint.</p> <p>The Trustee benchmarks the Scheme against the indices on key social and governance objectives.</p> <p>Any breaches of sector exclusions e.g. coal, tobacco are also noted within the quarterly reports.</p>
Responsible Investing Policy		
<p>Pension Scheme's Responsible Strategy is based on the main following pillars: ESG integration and stewardship, Carbon Footprint & Climate-related portfolio alignment, Green investment target, transition financing and impact investments and the final pillar: Controversies – engagement and exclusion.</p> <p>Based on these pillars and to demonstrate commitment to a Responsible Investment approach the Trustee have agreed to the following targets under which it will regularly monitor the Scheme's asset portfolio and adjust either the Scheme's strategy or implementation to meet these targets, but only to the extent that these do not have a negative financial impact:</p> <ul style="list-style-type: none"> • Maintain and incrementally approve the integrated ESG score. • Target net zero emissions by 2050. • Actively exclude investments that are considered controversial as defined by the Scheme's policy. • Target a green investment exposure to exceed 1% by 2025 through a multi-class asset approach. <p>Target 1.5 degree C climate warming potential by 2050.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee monitors each of these objectives as part of its quarterly investment committee.</p> <p>The Scheme's ESG score has improved over the year and the carbon footprint remains on target.</p> <p>There remained a limited exposure to excluded asset classes which the investment manager seeks to remove when opportunities arise so as not to negatively impact the Scheme's funding position.</p> <p>The Scheme also continues to move towards a greener portfolio and reduce its warming potential.</p>

Implementation Statement

Policy	Has the policy been followed?	Evidence
Target and risk monitoring		
<p>The Trustee monitors the Scheme's assets against its approach to ESG on an ongoing basis with the assistance of its advisors. In addition, the Trustee regularly report identified climate-risks and opportunities which they consider will influence the Scheme's investment strategy (and member security) and assess their impact.</p> <p>As far as they are able, the Trustee, undertake scenario analysis assessing the impact on the Scheme's assets and liabilities, the resilience of the Scheme's investment strategy, the Scheme's funding strategy, and impact on the above agreed targets.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee monitors the ESG characteristics of the Scheme's asset holdings on a quarterly basis.</p> <p>As part of the TCFD requirements the Trustee undertakes climate scenario testing which demonstrates the resilience of the portfolio and the performance of the Scheme against its ESG objectives.</p>
Stewardship and engagement		
<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>

Implementation Statement

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 1 April 2021 to 31 March 2022. 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.

DC Section

The Trustee has not produced an Implementation Statement for the DC Section of the AXA UK Group Pension Scheme for the period ending 31 March 2022. In December 2020, the DC Section transferred to the LifeSight Master Trust, with a small sum of assets remaining in the Scheme, in respect of the AXA Property Fund. This fund was suspended in March 2020 following uncertainty over the valuation of the underlying assets during the COVID-19 outbreak. This suspension was lifted in November 2021 with the remaining assets within the Scheme also being transferred to the LifeSight Master Trust.

The DC Section is still open due to one member remaining within the Scheme, within a legacy arrangement which is not covered within the Scheme's Statement of Investment Principles (SIP), and in respect of a number of Additional Voluntary Contributions (AVCs) from the DB Section. As the assets covered within the Scheme's SIP had largely been transferred to the LifeSight Master Trust, with the exception of a small sum within a suspended fund, the Trustee has not formally reviewed compliance with the Scheme's SIP for the year ending 31 March 2022. There were no changes made to the Scheme's SIP and no formal review of the SIP in the year ending 31 March 2022. There were no voting rights attached to the assets held within the Scheme for the year ending 31 March 2022.