

Holt JCB Pension & Life Assurance Plan

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 24 September 2019 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 6 April 2020 to 5 April 2021.

Investment manager and fund in use

Asset Class	Fund	Target Asset Allocation
Corporate bonds	LGIM Active Corporate Bond – Over 10 Year – Fund	100.0%
Total		100.0%

Strategy Review

There have been no changes to the investment manager or target asset allocation over the year.

Scheme Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Plan to help form their policies set out in the SIP as the Plan is comprised of a diverse membership which the Trustees expect to hold a broad range of views on ethical, political, social, environmental and quality of life issues.

There were no changes to the objectives put in place for Broadstone which were last reviewed in November 2019. The Trustees are due to formally review these objectives by November 2022, or earlier.

There were no changes to the investment management agreements with LGIM during the year.

Statement of Investment Principles

The Trustees last reviewed the Statement of Investment Principles (SIP) in September 2019, which was updated to take account of the updated investment regulations.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year.

Policy on financially and non-financially material considerations

Trustees' Policy: *The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact in the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.*

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Plan are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

The Trustees have access to updates on governance and engagement activities by the investment manager, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment manager, given they are investing in pooled funds.

A summary of the Trustees' views for the asset class in which the Plan invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Corporate bonds	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect its investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.

Policy on the exercise of voting rights and engagement activities

Trustees' Policy: *Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly.*

The Investment Manager provides, on request, information to the Trustees on their actions in relation to engagement and use of voting rights.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to the investment manager, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Plan's investments.

The Trustees currently invest in pooled investment funds with the investment manager, and they acknowledge that this limits their ability to directly influence the investment manager.

Within the current investment arrangements, none of the funds contain equity holdings. Therefore none of the Plan's funds have voting rights attached.

The Trustees have employed Broadstone to assist them in monitoring the voting and engagement activities of their investment manager. To complement this monitoring, the Trustees receive stewardship and governance reports from LGIM on a quarterly basis.

The Trustees have requested details of the significant activities made on behalf of the Trustees. A notable engagement activity of the investment manager is provided below:

- **LGIM** put forward a proposal to Amazon emphasising the important role that worker representation plays in supporting companies. This is in direct response to accusations against Amazon concerning its interference with efforts by its workers to unionise. As a consequence of these actions, Amazon has launched its Global Human Rights Principles, which recognise the fundamental rights of workers to organise, and commissioned a human rights impact assessment (with an external consultant). LGIM is continuing to engage with the company to ensure that Amazon's commitments to upholding human rights are maintained.

The Trustees are comfortable with the investment manager's approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustees also consider the investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment manager (as detailed above), the Trustees receive performance reports on a quarterly basis from LGIM to ensure the investment objectives set out in their SIP are being met.

Signed: George Osborne

Date: 21 September 2021

For and on behalf of the Trustees of the Holt JCB Pension & Life Assurance Plan