

# Keytec (GB) Limited Retirement Benefits and Life Assurance Scheme

## 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 and Personal Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles (SIP) dated September 2020 have been implemented.

It also includes the Trustee's voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 6 April 2022 to 5 April 2023.

### Investment Objectives of the Scheme

The objectives of the Scheme are set out on page 2 of the SIP and are summarised below.

The Trustee's objective is to invest the assets in the best interest of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the Trustee has agreed a number of objectives with the Sponsoring Company to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's primary objectives are as follows:

- To ensure that it can meet its obligation to the beneficiaries of the Scheme.
- To restore the funding position of the Scheme to be 100% funded by 5 April 2026
- To pay due regard to the Sponsoring Company's interest in the size and incidence of contribution payments.

### Review of the SIP

The Trustee did not review the SIP during the year. The SIP was last reviewed in September 2020, following which the SIP was updated to take account of the latest investment disclosure regulations.

The Trustee has a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement, and are detailed in the Trustee's SIP.

The Trustee's policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP in force during the year.

### Investment managers and funds in use

The investment funds used for the Scheme are set out in the table overleaf.

<b>Asset Class</b>	<b>Fund</b>
<b>Multi asset funds</b>	LGIM Dynamic Diversified Fund
<b>High yield bonds</b>	LGIM High Yield Bond Fund
<b>Investment grade bonds</b>	LGIM Active Corporate Bond – All Stocks Fund
<b>Government bonds</b>	LGIM Over 15 Year Gilts Index Fund

## **Investment Governance**

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

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

The Trustee has put in place strategic objectives for Broadstone, as the Trustee's investment consultant, as required by Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations.. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in November 2019, and these were reviewed in November 2022.

In addition, the Trustee regularly reviews their advisers (including Broadstone as their investment consultant) on an annual basis. The last review was undertaken in December 2022.

## Trustee's Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
<b>Financially and Non-Financially Material Considerations</b>	<p>The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the ESG integration capability of its Investment Managers.</p> <p>Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.</p>	<p>No deviation from this policy over the year to 5 April 2023.</p>
<b>Voting Rights and Engagement</b>	<p>The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee cannot exercise its responsibilities directly as it does not hold investments in its name. The Trustee expects its Investment Managers, to exercise voting rights on all resolutions at annual and extraordinary general meetings of companies. The Trustee has seen the policy objectives of each of the Investment Managers regarding voting and engagement and believes that they are compatible with its own policy. The Trustee expects the Investment Manager to report to it on the implementation of, and any changes to, their policies on voting and engagement.</p> <p>The Trustee expects its Investment Managers, to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee will assess the stewardship and engagement activity of its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the Investment Manager's voting and engagement policy, summary reports detailing the engagement and voting activity undertaken by the Investment Managers, and asking questions directly to the Investment Managers.</p>	<p>No deviation from this policy over the year to 5 April 2023.</p>

## Financially and non-financially material considerations

The Trustee notes 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 Trustee is satisfied that the funds currently invested in by the Scheme 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.

This position is monitored periodically. As part of the monitoring process, the Trustee has access to updates on governance and engagement activities by the investment managers, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustee acknowledges that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers given they are investing in comingled arrangements.

The Trustee invests across a range of asset classes and styles. The Trustee expects the investment manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

The Trustee's views on how ESG issues are taken account of in each asset class used is set out below.

Asset Class	Active/Passive	Trustee's views
<b>Multi asset funds</b>	Active	The Trustee expects 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 Trustee also expects its Investment Manager, to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
<b>High yield bonds and investment grade bonds</b>	Active	The Trustee expects 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 Trustee also expects its Investment Manager, to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
<b>Government bonds</b>	Passive	The Trustee believes that there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

## Voting rights and engagement activities

The Trustee currently invests in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have the administrative mechanism to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

Within the current investment arrangements, the LGIM Dynamic Diversified Fund contains publicly listed equity holdings. The fund will have voting rights attaching these underlying equities, and the Trustee has delegated these voting rights to the investment manager, where they set their own voting policy. A summary

of the votes from 1 April 2022 to 31 March 2023 on behalf of the Trustee for each fund currently used by the Scheme is provided in the table below.

Manager	Fund	Approx % of Scheme assets	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
LGIM	Dynamic Diversified Fund	9.7%	99,478	77%	22%	1%

All the Scheme's assets are invested in pooled funds. Information regarding proxy voting is detailed below:

- LGIM utilise ISS's voting platform to electronically vote shares, but they will apply their own internal policy rather than relying on the recommendations of ISS.

The Trustee has requested details of the significant votes made on behalf of the Trustee by the investment managers.

## Significant votes

The Trustee has requested details of the significant votes made on behalf of the Trustee by the investment managers. In determining significant votes, LGIM will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustee believes the following are the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE	
Investment Manager	LGIM
Company	Amazon.com, Inc.
Date of vote	25 May 2022
% of portfolio invested in firm	0.15% of LGIM Dynamic Diversified Fund at date of vote
Resolution	Elect Director Daniel P. Huttenlocher
Why significant	Human rights: A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
Voting decision	Voted against management

Manager comments	LGIM pre-declared its voting intention for this resolution, demonstrating its significance
Vote outcome	The proposal was passed by 93% of shareholders

SIGNIFICANT VOTE	
Investment Manager	LGIM
Company	Rio Tinto Plc
Date of vote	8 April 2022
% of portfolio invested in firm	0.30% of LGIM Dynamic Diversified Fund at date of vote
Resolution	Approve Climate Action Plan
Why significant	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
Voting decision	Voted against management
Manager comments	Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
Vote outcome	The proposal was passed by 84% of shareholders

## Engagement activities

The Trustee has also delegated engagement activities to LGIM. A notable engagement activity of LGIM is provided below:

- **LGIM**, in collaboration with ShareAction, engaged with Sainsbury's in relation to scrutiny over their decision to pay a real living wage to all employees, except those in outer London. LGIM joined ShareAction in filing a shareholder resolution asking the company to become a living wage accredited employer. Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from 'A+' to 'E'. The latest UNPRI scores of the investment managers are outlined in the table below.

Manager	UNPRI Score
LGIM	A+

The Trustee also considers the investment managers' 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 managers (as detailed above), the Trustee will monitor the Investment Manager's performance against its performance objectives to ensure the investment objectives set out in their SIP are being met.

**Signed: Simon Lewis**

**Date: 10 August 2023**

**On behalf of the Trustee of the Keytec (GB) Limited Retirement Benefits and Life Assurance Scheme**