

# PGI Group Pension 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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, 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 Trustees' Statement of Investment Principles (SIP) dated 24 October 2022 have been implemented.

It also includes the Trustees' 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 Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 January 2022 to 31 December 2022.

### **Investment objectives of the Plan**

The objectives of the Plan are set out on page 2 of the SIP and are summarised below:

- To ensure that the assets are of a nature to enable the Trustees to meet the Plan's benefits as they fall due.
- To aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Plan.
- To invest the Plan's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Plan's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- Where future opportunities arise to increase protection against liability-related risks in such a way that it does not invalidate the Trustees' funding plan, the Trustees will consider steps to further reduce the volatility of the Plan's funding position relative to its funding objective.

### **Stewardship policy**

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 later in this Statement, and are detailed in the Trustees' SIP.

The Trustees will review their policy on stewardship over time.

### **Statement of Investment Principles**

The Trustees last reviewed the Statement of Investment Principles (SIP) in October 2022, which was updated for the revised investment strategy. The SIP also confirms Broadstone Corporate Benefits Limited ("Broadstone") as the Plan's investment adviser.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were updated in the SIP during the year.

## Investment manager and funds in use

The investment funds used for by Plan are set out below:

Asset Class	Fund	Target Asset Allocation
UK equities	BlackRock Aquila Life UK Equity Index Fund	13.9%
Global equities	BlackRock Aquila Life US Equity Index Fund	2.8%
Global equities	BlackRock Aquila Life European Equity Index Fund	2.8%
Global equities	BlackRock Aquila Life Overseas Fixed Benchmark Equity Index Fund	5.6%
Corporate bonds	BlackRock Buy & Maintain ESG Vintage Fund 2030-2034	20.0%
Corporate bonds	BlackRock Buy & Maintain ESG Vintage Fund 2035-2039	17.5%
Corporate bonds	BlackRock Aquila Life 5-15 Years Corporate Bond Index Fund	-
Government bonds	BlackRock Aquila Life Over 15 Years UK Gilt Index Fund	11.0%
Government bonds	BlackRock Aquila Life Over 5 Years Index-Linked Gilt Fund	26.5%
<b>Total</b>		<b>100.0%</b>

## Investment Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone, as the Trustees' investment adviser.

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.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment adviser, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019. 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. There were no changes to the objectives for Broadstone which were signed and put in place in August 2022. The Trustees are due to formally review these objectives by August 2025.

The investment arrangements of the Plan are reviewed by the Trustees on a quarterly basis, with the assistance of Broadstone.

The investment management agreement with BlackRock was updated during the year to include the new funds used by the Plan within the Schedule of investments and fees.

## Strategy Review

At the start of the year, the Trustees' long-term investment policy was to invest 90% in growth strategies and 10% in bonds and cash with BlackRock Investment Management (UK) Limited ("BlackRock"). Within the growth strategies the Trustees had implemented a benchmark allocation of UK Equity Index Fund, 50%; US Equity Index Fund, 10%; European Equity Index Fund, 10%; and an Overseas Fixed Benchmark Equity Fund, 20%. The bonds consisted of a 10% allocation to a 5-15 Year Corporate Bond Index Fund.

In October 2022, the Trustees received advice from its investment adviser, Broadstone, to de-risk the Plan and restructure the investment strategy to support the Plan's longer term funding objective. The revised strategy reduced the equity allocation to 25%, and increases the allocation in bonds to 75%, including gilts and corporate bonds. The Trustees use a range of passively managed equity index funds, gilt index funds, including both nominal and index-linked gilts, together with high quality corporate bonds that are managed on a 'buy and maintain' basis, generating cashflow to help meet

the Plan's benefit outgoings. The structure and combination of these bonds funds is determined with the aim of providing a broad match to the characteristics and interest rate and inflation sensitivities of the liabilities. The assets continue to be managed on a pooled funds basis by BlackRock.

## Trustees' Policies

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

Requirement	Policy	Implementation of Policy
<b>Financially and Non-Financially Material Considerations</b>	<p>The Trustees recognise that Environmental, Social and Governance (ESG) issues, including climate risk, can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Plan 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 Plan's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.</p> <p>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 their approach to selecting investments and engaging with issuers with reference to ESG issues.</p> <p>With regard to the specific risk to the performance of the Plan'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 Plan'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 Plan's funding position than other risks. The Trustees will continue to monitor market developments in this area with its investment adviser.</p>	No deviation from this policy over the year to 31 December 2022 (see below)
<b>Voting Rights and Engagement</b>	<p>Responsibility for engagement with the issuers of the Plan's underlying investment holdings and the use of any voting rights, where applicable, is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly.</p> <p>The Investment Manager provides, on request, information to the Trustees on their actions in relation to engagement and use of any voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.</p>	No deviation from this policy over the year to 31 December 2022 (see below)
<b>Additional Voluntary Contributions (AVCs)</b>	The Plan holds funds accumulated in respect of AVCs separately from the assets backing defined benefits using a policy provided by Santander and Utmost Life & Pensions.	No deviation from this policy over the year to 31 December 2022

## Financially and non-financially material considerations

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, 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 Trustees have 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 Trustees acknowledge 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 pooled funds.

The Trustees invest across a range of asset classes and styles. The Trustees expect 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.

In the case of the Plan's investments in the corporate bond funds, the investment manager incorporates ESG within the investment process in a manner which ensures that ESG considerations are taken into account at each stage of the investment process (portfolio construction and review), and ensures a pathway to net zero carbon across the portfolios by 2050.

### Voting rights and engagement activities

The Trustees currently invest in pooled investment funds with the investment manager, and acknowledge that this limits their ability to directly influence the manager. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Plan's investments.

However, the Trustees and/or Broadstone periodically meet with the investment manager, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees and/or Broadstone will seek to challenge their investment managers on these matters where they think this is in the best interests of members.

Within the current investment arrangements, the equity funds contain equity holdings, and therefore have voting rights attached. The Trustees have delegated these voting rights to BlackRock, where BlackRock sets its own voting policy.

A summary of the votes made from 1 January 2022 to 31 December 2022 on behalf of the Trustees is provided in the table below. The proportion of votes split by Environmental, Social or Governance issue was requested but has not been provided at the time of producing this Statement.

Fund	Approx % of Plan assets	Resolutions voted on			Total Resolutions Voted:		
		Env.	Soc.	Gov.	For	Against	Abstained
BlackRock Aquila Life UK Equity Index	14.6%	n/a	n/a	n/a	94%	5%	1%
BlackRock Aquila Life US Equity Index	2.8%	n/a	n/a	n/a	96%	3%	1%
BlackRock Aquila Life European Equity Index	3.0%	n/a	n/a	n/a	87%	12%	1%
BlackRock Aquila Life Overseas Fixed Benchmark Equity Index	5.9%	n/a	n/a	n/a	92%	7%	1%

All the Plan's assets are invested in pooled funds. BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA"). The analysts within

each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute voting instructions.

The Trustees have requested details of the significant votes and engagements made on behalf of the Trustees.

### Significant votes

The Trustees believe the following are the most significant votes undertaken on their behalf over the Plan year:

SIGNIFICANT VOTE 1	
Company	Rio Tinto
Date	8 April 2022
% of portfolio invested in firm	Not provided by BlackRock
Resolution	Approve Climate Action Plan
Why significant	The BlackRock Investment Stewardship (BIS) team voted for the management proposal seeking shareholders' approval of the Rio Tinto Group's Climate Action Plan. The group's climate action plan, targets, and disclosures are consistent with what BlackRock look for and demonstrates management and board responsiveness to shareholder feedback. Accordingly, BIS determined that it is in the best interests of their clients as long-term shareholders to support the proposal to approve the Climate Action Plan.
How voted	<b>VOTED FOR</b>
Manager Comments	BlackRock's stewardship approach is based on their fundamental role as a fiduciary to their clients and are interested in how companies are assessing and managing the risks and opportunities arising from the global energy transition, while also managing a reliable energy supply. Specifically, BIS look for companies to demonstrate they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C.
Vote outcome	Passed

SIGNIFICANT VOTE 2	
Company	Amazon.com, Inc.
Date	25 May 2022
% of portfolio invested in firm	Not provided by BlackRock
Resolution	Elect Director Judith A. McGrath
Why significant	BlackRock has not provided reasons for why this vote is significant but provided rationale for vote being that the Director nominee has not demonstrated ability to effectively represent shareholders' best interests.
How voted	<b>VOTED AGAINST</b>
Manager Comments	BlackRock has not confirmed whether they informed the company of their intention to vote against the resolution ahead of the vote.
Vote outcome	Passed

## Engagement activities

BlackRock held constructive engagements with utility company AGL Energy Ltd. (AGL), in pursuit of long-term value creation. AGL is Australia's leading integrated essential service provider. The company delivers gas, electricity, and telecommunications services to residential, small and large business, and wholesale customers across the country. AGL operates Australia's largest electricity generation portfolio, representing approximately 20% of the total generation capacity within Australia's National Electricity Market. AGL is also Australia's largest carbon emitter, largely attributable to its coal-fired power station operations. As such, AGL is included in BlackRock Investment Stewardship's (BIS) climate focus universe. BIS has had a long and constructive history of engagement with members of AGL's board and management team. During the past year, BIS continued to focus their discussions on corporate governance and sustainability issues that they believe drive long-term shareholder value, including how the company is addressing climate related risks and opportunities and the energy transition, as well as what role, if any, coal-fired operations might play in its portfolio over time.

## Monitoring of Investment Arrangements

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



Signed: \_\_\_\_\_

Date: 18 May 2023

**On behalf of the Trustees of the PGI Group Pension Plan**