

# PGI Group Pension Plan

## Statement of Investment Principles – Implementation Statement

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The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational 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. The SIP provides further background details on investment arrangements.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the period covered by this statement, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the period, 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 2023 to 31 December 2023.

## Investment Objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Plan have been set broadly with regard to the Plan's Statutory Funding Objective set out in the Statement of Funding Principles.

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.

## Review of the Statement of Investment Principles

The Trustees reviewed the SIP in February 2024, which was updated to reflect the Trustees' de-risked investment strategy for the Plan. The revised investment strategy was in force at the Plan's year-end and is detailed in the sections below.

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 Trustees' SIP.

The Trustees' 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.

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.

## Investment managers and funds in use

The investment funds used at year-end are set out in the table below:

Asset Class	Fund	Target Asset Allocation
Global Equity	BlackRock Aquila Life MSCI World Index Fund	15.0%
Corporate Bonds	BlackRock Buy & Maintain ESG Vintage Fund 2020-2024	9.0%
Corporate Bonds	BlackRock Buy and Maintain ESG Vintage Fund 2025-2029	25.0%
Corporate Bonds	BlackRock Buy and Maintain ESG Vintage Fund 2030-2034	9.0%
Government Bonds	BlackRock Aquila Life Over 25 Years UK Gilt Index Fund	26.0%
Government Bonds	BlackRock Aquila Life Over 5 Years Index-Linked Gilt Fund	16.0%
<b>Total</b>		<b>100.0%</b>

## Strategy Review

At the start of the year, the Trustees' long-term investment policy was to invest 25% in equity and 75% in bonds, including gilts and corporate bonds. The Trustees used a range of passively managed equity index funds, high quality corporate bonds managed on a 'buy and maintain' basis that generate cashflow to help meet the Plan's benefit outgoings, and nominal and index-linked gilts.

In August 2023, 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 and to generate increased cashflow to help meet expected pension payments. The revised strategy reduced the equity allocation to 15%, and increased the bond allocation to 85%, including gilts, corporate bonds and cash. The Trustees subsequently consolidated their passively managed regional equity index funds into a single global equity index fund. The assets were restructured in November and December 2023 and continue to be managed by BlackRock.

## Scheme Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate over the year 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 its 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 consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, in August 2022, and are due to formally review these objectives by August 2025, or earlier. 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 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.

## 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>Selection of Investments</b>	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity, and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Plan's investments.</p> <p>The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Plan, matching part or all of the future liabilities due from it.</p> <p>The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Plan.</p>	No deviation from this policy over the period to 31 December 2023.
<b>Balance of Investments</b>	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Sponsoring Employer's covenant, the nature of the Plan's liabilities or relevant regulations governing pension Plan investment.</p>	No deviation from this policy over the period to 31 December 2023.
<b>Delegation to Investment Manager</b>	The Trustees will delegate the day-to-day management of the Plan's assets to professional investment managers and will not be involved in the buying or selling of investments.	No deviation from this policy over the period to 31 December 2023.
<b>Realising Investments</b>	The Trustees make disinvestments from the Investment Manager taking advice from Broadstone, where appropriate, to meet the Plan's cashflow requirements.	No deviation from this policy over the period to 31 December 2023.
<b>Maintaining the Target Asset Allocation</b>	The Trustees have responsibility for maintaining the overall balance of the asset allocation. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the aim described above.	Following a review of the investment strategy, an updated asset allocation was implemented in late 2023. The SIP was amended and reviewed in February 2024 to reflect the changes in the revised strategy.

Requirement	Policy	Implementation of Policy
<b>Performance Benchmarks and Objectives</b>	<p>All equity and gilt funds used are index-tracking funds, meaning that their objective is to track the total return on a specified market index.</p> <p>The buy and maintain corporate bond funds aim to deliver the credit risk premium (additional return) over and above comparable gilts, whilst minimising the risk of default losses. The buy and maintain funds do not have specific performance benchmarks.</p> <p>The cash fund aims to deliver a stable rate of return consistent with short-term high quality money market instruments and is benchmarked against the Sterling Overnight Index Average Rate (SONIA).</p>	<p>The performance benchmarks and objectives were reviewed periodically to 31 December 2023.</p> <p>Following implementation of the revised investment strategy, a cash fund was added to the Plan's policy.</p>
<b>Investment Management Charges</b>	The investment management charges of the funds used are set out on page 4 of the SIP.	No deviation from this policy over the period to 31 December 2023.
<b>Financially and Non-Financially Material Considerations</b>	The Trustees' policy on financially and non-financially material considerations is set out on page 8 of the SIP and in full below.	No deviation from this policy over the period to 31 December 2023 (see below).
<b>Engagement and Voting Rights</b>	The Trustees' policy on engagement and voting rights is set out on page 8 of the SIP and in full below.	No deviation from this policy over the period to 31 December 2023 (see below).
<b>Additional Voluntary Contributions (AVCs)</b>	The Plan holds AVCs separately from the assets backing defined benefits via investments held with Utmost Life and Pensions and Santander.	No deviation from this policy over the period to 31 December 2023.

## Policy on financially and non-financially material considerations

### **Trustees' Policy:**

***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.***

***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 receives information from the Investment Manager on their approach to selecting investments and engaging with issuers with reference to ESG issues.***

***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 advisers.**

**The Trustees have determined that the financial interests of the Plan members are their priority when choosing investments. The Trustees have decided not to consider non-financial considerations, such as ethical views when setting the investment strategy for the Plan.**

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.

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 manager, and input from their investment advisers 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.

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.

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

Asset Class	Actively or Passively Managed?	Comments
Equities	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
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.
Government bonds	Passive	The Trustees believe 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.
Cash	Active	The Trustees believe 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.

## Policy on the exercise of voting rights and engagement activities

### **Trustees’ Policy:**

**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.**

**The Trustee’s voting and engagement policy is to use their investments to improve the ESG behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members’ best interests. The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf and if there are significant differences from the policy detailed above, the Trustees will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.**

**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.**

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. 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 their 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 manager on these matters where they think this is in the best interests of members.

The Trustees have delegated engagement activities to their investment manager, and the investment manager reports quarterly to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

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 2023 to 31 December 2023 on behalf of the Trustees for each fund used by the Trustees during the year (where the investment owns equities) 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. The analysis is based on the latest information available from the investment manager.

Fund	Third Party Proxy Policy Used	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
BlackRock Aquila Life UK Equity Index Fund	No – in house but cast votes using ISS	14,393	96%	3%	1%
BlackRock Aquila Life US Equity Index Fund	No – in house but cast votes using ISS	7,999	97%	3%	-

BlackRock Aquila Life European Equity Index Fund	No – in house but cast votes using ISS	6,873	88%	11%	1%
BlackRock Aquila Life Overseas Fixed Benchmark Equity Index Fund	No – in house but cast votes using ISS	24,038	93%	6%	1%
BlackRock Aquila Life MSCI World Index Fund	No – in house but cast votes using ISS	14,399	94%	5%	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.

## Significant Votes

The Trustees have requested details of the significant votes made on behalf of the Trustees (where voting rights are attached) and engagements made on behalf of the Trustees (where the manager has the opportunity to engage with companies). In determining significant votes, BlackRock's Investment Stewardship team takes 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, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of direct or collaborative engagement; and
- Vote linked to a BlackRock engagement campaign.

The significant votes provided by BlackRock for the funds used by the Plan are detailed below:

SIGNIFICANT VOTE 1	
<b>Investment Manager</b>	BlackRock
<b>Company</b>	Shell plc
<b>Date of vote</b>	23 May 2023
<b>Resolution</b>	Approve the Shell Energy Transition Progress
<b>Why significant</b>	The BIS team voted for the management proposal seeking shareholders' approval of the Shell Energy Transition Progress. The company's progress is 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 Energy Transition Progress.
<b>Voting decision</b>	For
<b>Manager comments</b>	"Shell has and continues to provide a clear assessment of their plans to manage climate-related risks and opportunities and has demonstrated continued delivery against their Energy Transition Strategy. Given that the speed and shape of a low carbon transition are unclear, company disclosures that include scenario analysis and provide context on the transition plan and targets, help investors' understanding of company-specific risks and opportunities. In our view, Shell's reporting and approach are aligned with our clients' long-term financial interests; therefore we supported the management resolution."
<b>Vote outcome</b>	Passed

SIGNIFICANT VOTE 2	
Investment Manager	BlackRock
Company	Glencore Plc
Date of vote	26 May 2023
Resolution	Next Climate Action Transition Plan
Why significant	BlackRock has not provided reasons for why this vote is significant but provided rationale for the vote being that the proposal is not in shareholders' best interests.
Voting decision	Against
Manager comments	<i>BlackRock has not confirmed whether they informed the company of their intention to vote against the resolution ahead of the vote.</i>
Vote outcome	Failed

## Engagement activities

The Trustees have also delegated engagement activities to the Investment Manager. A notable engagement activity from BlackRock is provided below:

- **BlackRock** engaged with Fidelity National Information Services, Inc. (FIS), a U.S. based payments and fintech solutions company, to discuss their executive compensation approach. The company has had a number of concerning pay practices in the past, such as incentives with short-term performance targets and a misalignment between pay outcomes and financial performance, leading to low support on votes in 2022.

Following the engagement, FIS made several enhancements to their long-term incentive plan to address concerns. These changes included targeting outperformance of a benchmark on a relative total shareholder return bases, increasing transparency around long-term performance goals, and extending their performance measurement period in the long-term plan to three years.

As a result, BIS supported the company's Say on Pay proposal at their May 2023 AGM, which passed with 92% support.

The Trustees also consider an 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 managers (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: Original signed by the Chairman of the Trustees

Date: 02 May 2024

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