

# Annual Implementation Statement

## MILLENNIUM & COPTHORNE PENSION PLAN – DB SECTION – YEAR TO 5 APRIL 2023

### **Introduction:**

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 5 April 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

### **Investment Objectives of the Plan:**

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan's DB section are included in the SIP and are as follows:

- To achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.
- To maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

### **Assessment of how the policies in the SIP have been followed for the year to 5 April 2023**

The information provided in the table below highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP, relating to the DB Section of the Plan.

In the opinion of the Trustee, the policies set out in the SIP were adhered to during the year.

### **Review of the SIP**

The SIP was updated during the year to reflect changes to the investment strategy, details of which are set out in this statement. The Trustee will continue to review the SIP on a periodic basis, in line with regulatory requirements and following any material changes in investment strategy.

	<b>Requirement</b>	<b>Policy</b>	<b>In the year to 5 April 2023</b>
1	Securing compliance with the legal requirements about choosing investments	<p><i>The Trustee has obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, Mercer Ltd (“Mercer”), whom it believes to have a degree of knowledge and experience that is appropriate for the management of its investments</i></p> <p>SIP section 1</p> <p><i>The Trustee has appointed Mercer as the independent investment adviser to the Plan. Mercer provides advice as and when the Trustee requires it, as well as raising any investment-related issues, of which it believes the Trustee should be aware.</i></p> <p>SIP section 3.2</p>	<p>Following an LDI review in March 2022, the Trustees agreed to transfer the management of the liability-driven investment (“LDI”) portfolio from Columbia Threadneedle (“CTI” - formerly known as BMO) to Insight - this was implemented in June 2022. As part of this, the LDI and cash holdings were transferred to Insight and restructured to provide a closer match to the interest rate and inflation sensitivity of the DB Section’s liabilities. Mobius Life (the intermediary between the Trustee and the Plan’s investment managers) were also instructed to source collateral requirements on the Insight LDI funds from the Insight Liquidity Fund (a cash fund) going forward. The Trustee obtained written advice from Mercer confirming the suitability and appropriateness of these changes, as required by regulation.</p> <p>Following significant gilt market volatility during the second half of 2022 (during the “gilt market crisis” following the then-UK Chancellor’s “mini budget”, which markets deemed to be financially unsound), a further review of the LDI arrangements was conducted in Q4 2022, which included production of an updated Liability Benchmark Portfolio (“LBP”). It was identified that the DB Section’s liability hedge ratios had become out of line with the target levels as a result of market movements and experience during the gilt market crisis. The LDI portfolio was rebalanced in January 2023 to restore the hedge ratios to the target levels and provide further stability in the DB Section’s funding position.</p> <p>During the gilt market crisis period, the Trustee also undertook several wider rebalancing exercises in order to ensure Insight were able to meet collateral requirements on the leveraged LDI funds held by the DB Section – generally these exercises resulted in the sale of growth assets and the transfer of proceeds to cash.</p>

			<p>During Q1 2023, the Trustee also undertook a detailed review of performance within the DB Section’s growth asset portfolio to evaluate the ongoing appropriateness of the various equity and diversified growth (“DGF”) funds held by the DB Section, given concerns raised by the Trustee around long-term performance.</p> <p>During the year, the Trustee also received verbal and written advice and information from Mercer regarding the ongoing impact of the humanitarian crisis in Ukraine, as well as the impact of rising interest rates and high inflation on the DB Section’s investments. Following the gilt market crisis in late Q3/early Q4 2022, the Trustee also received advice and information from Mercer in relation to updated regulatory guidance/requirements around LDI arrangements.</p>
2	Kind of investments to be held	<p><i>The Trustee has determined the investment strategy after considering the Plan’s liability profile and requirements of the Statutory Funding Objective, the Trustee’s own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer’s appetite for risk, and the strength of the Sponsoring Employer’s covenant. The Trustee has also received written advice from its Investment Adviser.</i></p> <p><i>The Trustee recognises the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from</i></p>	<p>The basis of the Trustee’s strategy is to divide the Plan’s assets between a “growth” portfolio, comprising assets such as DGF and equities, and a “stabilising” portfolio, comprising assets such as multi-asset credit, cash and LDI.</p> <p>The DB Section’s Liability Benchmark Portfolio (“LBP”) was updated in Q4 2022 to ensure that the liability hedging mandate, managed by Insight as of June 2022, remained aligned with the sensitivities of the DB Section’s liabilities.</p> <p>The Trustee is comfortable that the DB Section’s assets were invested in line with their policies during the year. The Trustee received regular updates on the DB Section’s asset allocation and investment performance as part of quarterly reporting provided by Mercer.</p> <p>Several of the funds in which the DB Section invests use derivatives either to increase economic exposure or as a tool to facilitate efficient portfolio</p>

		<p><i>investing in any one particular market. Where it considers it advisable to do so, the Trustee has appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustee to commit the resources necessary to make these decisions themselves.</i></p> <p>SIP section 4.1</p> <p><i>The use of derivatives is permitted by the guidelines that apply to the pooled funds</i></p> <p>SIP section 4.3</p>	<p>management. Mostly notably, the Insight Partially Funded Gilt Funds (which comprise the DB Section’s LDI portfolio alongside cash holdings in the Insight Liquidity Fund), are pooled investment funds which provide interest rate and inflation hedging for the DB Section - these funds use gilt derivatives and swaps in order to achieve additional interest rate and inflation exposure by generating “leverage”. The Trustee remains comfortable with the use of derivatives within the DB Section’s investment strategy.</p>
3	<p>The balance between different kind of investments</p>	<p>The Trustee has established a strategic investment benchmark for the Plan, taking into account the potential risks outlined in the SIP.</p> <p>The Trustee has adopted an investment strategy with a 50% allocation to Growth Assets (Equity, “DGFs”) and a 50% allocation to Stabilising Assets (Multi-Asset Credit, Cash and Liability Driven Investments).</p> <p>SIP Appendix 1</p>	<p>Investment/disinvestment requests are used to help keep the asset allocation broadly in line with the strategic allocation as set by the Trustee.</p> <p>During the year to 5 April 2023, the Trustee changed the strategic asset allocation of the DB Section to account for the transition of the LDI portfolio from CTI to Insight. The changes made to the investment strategy were implemented, taking into account the potential risks outlined in the SIP. The SIP was updated in Q3 2022 to reflect these changes to the strategic asset allocation.</p> <p>The Trustee is comfortable that the strategic asset allocation remained appropriate during the year under review, allowing for the changes made to the investment strategy in June 2022. The Trustee is due to consider the strategic asset allocation in more detail as part of an</p>

			upcoming investment strategy review, which will take place following completion of the actuarial valuation as at 5 April 2023.
4	Risks including the ways in which risks are to be measured and managed	<p><i>The Trustee recognises a number of risks involved in the investment of the Plan. The Trustee has considered risks which they believe may be financially material to the Plan over its anticipated lifetime.</i></p> <p>These considerations are taken into account in the selection, retention and realisation of investments. SIP section 5.0</p>	<p>The Trustee considers both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation and the choice of fund managers/funds/asset classes.</p> <p>These risks were considered as part of the LDI review which took place in the first half of 2022, with consideration given to both quantitative and qualitative risks as part of the manager selection process. The Trustee did not explicitly consider ESG-related risks as part of the manager selection process in this instance, as ESG considerations are not directly applicable in general to LDI mandates.</p>
5	Expected return on investments	<p><i>The Trustee's primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.</i></p> <p>SIP section 2.0</p>	Investment performance reports are reviewed by the Trustee on a quarterly basis, and include information on how each pooled fund is performing relative to its respective benchmark.
6	Realisation of investments	<p><i>In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided on a structured approach to rebalance the assets in accordance with its overall strategy</i></p> <p>SIP section 4.1</p> <p><i>Mercer, on behalf of the Trustee, will take ESG considerations into account in the selection, retention and realisation of investments for the Plan.</i></p>	<p>Contributions and disinvestments of monies to meet cash flow requirements during the year were undertaken in line with the Trustee's cash flow management and rebalancing policy. The policy as at the year-end states that contributions or required disinvestments of up to £500,000 are to be invested in, or sourced from, the Insight Liquidity Fund, which is a cash fund held by the DB Section to provide liquidity as required, as well as acting as a source of collateral for the LDI mandate.</p> <p>In the event of a contribution, or required disinvestment, amounting to more than £500,000, Mercer is expected to provide further instructions and advice as to where these funds should be invested or sourced from.</p>

		<p>SIP section 4.4</p> <p><i>Where possible, cash outflows will be met from cash balances held by the Plan and from income from the Plan's investments in order to minimise transaction costs.</i></p> <p>SIP Appendix 2</p>	<p>The DB Section's cashflow policy was updated in June 2022 to reflect the changes made to the investment strategy (the transition of the LDI portfolio from CTI to Insight).</p>
7	<p>Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments</p>	<p><i>The Trustee has prioritised assets which provide protection against movements in the Plan's liability value and also assets which provide diversification across a wide range of investment markets. The Trustee considers the financially significant benefits of these factors to be paramount.</i></p> <p><i>The Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate investment and funding time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors (including but not limited to climate change).</i></p> <p><i>The Plan's assets are invested in pooled funds. The Trustee accepts the fact that it has very limited influence over the ESG policies and practices of the companies in which its managers invest. The Trustee will therefore rely</i></p>	<p>The investment performance reports are reviewed by the Trustee on a quarterly basis – these includes research ratings from the Mercer's manager research team. The research ratings included comprise both general manager/fund/strategy ratings and separate ESG-specific ratings, which set out a view of how well the manager integrates ESG considerations into the given strategy.</p> <p>The Trustee is comfortable with the research ratings applied to the funds, and continues to closely monitor these ratings and any significant developments at the investment managers. The Trustee receives regular updates on manager developments (including ESG ratings, and any changes therein) as part of investment performance reporting, and Mercer also provides ad-hoc information or advice in relation to significant developments which may require more urgent attention by the Trustee.</p> <p>The DB Section's SIP includes the Trustee's policy on ESG factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in order to monitor ESG related risks and opportunities.</p> <p>In March 2022 (i.e. during the prior Plan year), the Trustee formulated a standalone Sustainable Investment Policy for the DB Section, which is separate from and in addition to the SIP. This policy covers in more detail</p>

		<p><i>on the policies and judgement of its investment managers and the Trustee will review those policies with the assistance of Mercer (the Trustee's investment adviser) at its quarterly trustee meetings.</i></p> <p><i>The Trustee will also consider the investment advisers assessment of how each investment manager embeds Environmental, Social and Governance ("ESG") considerations into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.</i></p> <p>SIP section 4.4</p>	<p>the Trustee's views on ESG, including climate change, and provides a framework for ESG integration and monitoring in the DB Section's investment strategy. The Sustainable Investment Policy was not updated during the year under review but, similarly to the SIP, will be subject to review following any material change in policy or investment strategy.</p> <p>The Trustee keeps its policies under regular review with the SIP subject to review at least triennially or following any material change to the DB Section's investment strategy or policies.</p>
8	<p>The extent (if at all) to which non-financial matters are taken into account in the selection, retention and</p>	<p><i>The Trustee has determined that the financial interests of the Plan members are its foremost priority when choosing investments.</i></p> <p><i>The Trustee only considers factors that are expected to have a financial impact on the Plan's investments. Non-financial matters are not taken into account in the selection, retention and</i></p>	<p>Member views are not explicitly taken into consideration at the current time.</p>

	realisation of investments	<p><i>realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan.</i></p> <p>SIP section 4.3</p>	
9	The exercise of the rights (including voting rights) attaching to the investments	<p><i>In relation to the exercise of the rights (including voting rights) attaching to the investments, the Trustee has delegated the decision on how to exercise voting rights to its investment managers. This includes decisions around the selection, retention and realisation of investments within their mandates. The Trustee expects the investment managers to exercise these rights in accordance with their respective published corporate governance policies. This applies to both equity and debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.</i></p>	<p>The Trustee has delegated the exercise of voting rights to the Plan's investment managers. As such, this activity is expected to be undertaken on behalf of the Trustee. The Trustee does not use the direct services of a proxy voter, however the investment managers may enlist the service of a proxy voter when required.</p> <p>The Trustee has equity exposure, and therefore voting rights, through the following funds;</p> <ul style="list-style-type: none"> <li>• LGIM Future World Fund (GBP Hedged)</li> <li>• LGIM Future World Fund (GBP Unhedged)</li> <li>• Baillie Gifford Diversified Growth Fund</li> <li>• Columbia Threadneedle Multi-Asset Fund</li> </ul> <p>Changes to regulation and guidance in relation to Implementation Statements over the year dictate that the Trustee must decide what constitutes a significant vote, based on the Trustee's own stewardship priorities for inclusion in the Implementation Statement. In the past, the investment manager's definitions could be used and a pragmatic approach was taken in terms of voting information presented. The</p>



		<p>SIP section 4.4</p>	<p>Trustee is also required to provide more detailed information regarding these votes, relative to previous years.</p> <p>The Trustee has considered its own stewardship priorities and has decided that “most significant” votes shall be those in the following three areas, where the vote in question relates to a company or security within the relevant fund of more than 1% (as a percentage of the total assets of the relevant fund):</p> <ul style="list-style-type: none"> <li>• <b>Climate change:</b> e.g. low carbon transition, physical damages resilience.</li> <li>• <b>Human rights:</b> e.g. modern slavery, pay &amp; safety in workforce and supply chains, abuses in conflict zones.</li> <li>• <b>Diversity, equity and inclusion (DEI):</b> e.g. inclusive &amp; diverse decision making.</li> </ul> <p>Over the 12 month period to 5 April 2023, the key voting activity on behalf of the Trustee is as follows:</p> <p><b>LGIM Future World Fund (GBP Hedged and Unhedged) (over the year to 31 March 2023)</b></p> <p>LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and the firm does not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM’s position on ESG, the firm has put in place a custom voting policy with specific voting instructions. LGIM does not communicate its voting intentions to the investee companies.</p> <p>There were 1,917 votable meetings with 25,282 votable proposals over the year. LGIM participated in the vote of over 99% of the votable</p>
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			<p>proposals. In 81% of these votes, LGIM indicated their support to the companies' management proposals, while voting against around 19% of the time, and abstaining from voting in less than 1% of the proposals. Examples of significant votes within the LGIM funds that occurred during the year under review are set out below:</p> <p><b>Company name:</b> Alphabet Inc.  <b>Date of Vote:</b> 1 June 2022  <b>Why the Trustee considers the vote to be 'most significant':</b> it is an escalation of a climate-related engagement activity and LGIM's public call for high quality and credible transition plans to be subject to a shareholder vote.  <b>Size of holding as at the date of vote:</b> 2.2%  <b>Summary of the resolution:</b> Report on Physical Risks of Climate Change  <b>Investment manager voting decision:</b> For  <b>Rationale for investment manager voting decision:</b> vote in favour as LGIM expects the company to be taking sufficient action on the key issue of climate change.  <b>The outcome of the vote and any relevant next steps:</b> not approved. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p> <p><b>Company name:</b> Amazon.com, Inc.  <b>Date of Vote:</b> 25 May 2022  <b>Why the Trustee considers the vote to be 'most significant':</b> it relates to Human Rights, which is a topic the Trustees consider to be significant for the Scheme.  <b>Size of holding as at the date of vote:</b> 1.25%  <b>Summary of the resolution:</b> Elect Director Daniel P. Huttenlocher  <b>Investment manager voting decision:</b> Against</p>
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			<p> <b>Company name:</b> Iberdrola  <b>Date of Vote:</b> 16 June 2022  <b>Why the Trustee considers the vote to be 'most significant':</b> The resolution can be categorised as falling under the 'Diversity, equity and inclusion (DEI)' topic that the Trustees consider to be significant.  <b>Size of holding as at the date of vote:</b> 1.1%  <b>Summary of the resolution:</b> Allocation of Income - Amendment of the preamble and article 7 of the bylaws to consolidate Iberdrola's commitment to its purpose and values and to the generation of the social dividend.  <b>Investment manager voting decision:</b> For  <b>Rationale for investment manager voting decision:</b> No rationale was provided as Baillie Gifford does not provide rationale for voting in the cases where a vote is cast with management.  <b>The outcome of the vote and any relevant next steps:</b> resolution passed.         </p> <p> <b>Company name:</b> Orsted  <b>Date of Vote:</b> 8 April 2022  <b>Why the Trustee considers the vote to be 'most significant':</b> It is related to the 'Human Rights' topic that the Trustees consider to be significant.  <b>Size of holding as at the date of vote:</b> 1.05%  <b>Summary of the resolution:</b> Proposal from the board of directors: adoption of a decision to make a donation to humanitarian aid to the Ukrainian people in relation to the Ukraine crisis caused by the Russian invasion.  <b>Investment manager voting decision:</b> For  <b>Rationale for voting decision:</b> No rationale was provided as Baillie Gifford does not provide rationale for voting in the cases where a vote is cast with management.  <b>The outcome of the vote and any relevant next steps:</b> resolution passed.         </p>
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			<p><b>Columbia Threadneedle Multi-Asset Fund (over the year to 31 March 2023)</b></p> <p>Columbia Threadneedle aims to exercise all voting rights for which they are responsible in the best interests of its clients and in keeping with the mandates they manage. Although Columbia Threadneedle subscribe to proxy advisors' research (such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research), votes are determined under its own custom voting policy which is regularly updated.</p> <p>Their responsible investment team assesses the application of the policy and makes final voting decisions in collaboration with the firm's portfolio managers and analysts. Votes are cast identically across all mandates for which Columbia Threadneedle has voting authority. Proxy voting is effected via ISS. Voting rights on client securities are prioritised, but practical limitations such as share blocking or power of attorney requirements in specific markets may hinder their exercise.</p> <p>There were 430 votable meetings over the year. In these meetings, there were a total of 5,830 votable proposals out of which Columbia Threadneedle participated in the vote of 98% of the proposals. In around 90% of these votes, Columbia Threadneedle indicated their support to the companies' management proposal, while voting against management around 8% of the time and abstaining from voting on around 2% of the proposals. Despite the fund not having any individual holding over 1% of the total fund as at 31 March 2023, examples of voting activity are presented as they fall under the significant categories.</p> <p><b>Company name:</b> Alphabet Inc.  <b>Date of Vote:</b> 1 June 2022  <b>Why the Trustee considers the vote to be 'most significant':</b> It is related to the 'Climate Change' topic that the Trustee considers to be significant.</p>
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			<p>During the year under review, the Trustee did not actively challenge the investment managers on its voting activity.</p>
<p>10</p>	<p>Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustee would monitor and engage with relevant persons about relevant matters)</p>	<p><i>The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes that the investment managers are best placed to engage with investee companies on their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.</i></p> <p><i>The Trustee has delegated to Mercer, under the terms of their engagements, the monitoring of the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustee. The Trustee expects and encourages Mercer to exercise these rights and undertake monitoring and engagement. Mercer will update the Trustee periodically on the activities undertaken in this regard. If the Trustee has any concerns, it will raise them with Mercer, verbally or in writing.</i></p> <p>SIP section 4.4</p>	<p>As the Plan invests solely in pooled funds, the Trustee requires their investment managers to engage with the investee companies on their behalf. The Trustee wishes to encourage best practice in terms of corporate activism. They therefore encourage their investment managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes.</p> <p>The Trustee has given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.</p> <p>The Trustee received details of relevant engagement activity for the year to 5 April 2023 from each of the Plan’s investment managers, covering a wide range of different issues, including ESG factors. Examples of this are given below:</p> <ul style="list-style-type: none"> <li>• <b>LGIM</b> engaged with companies on a number of ESG related issues, namely targeting net-zero GHG emissions by 2050, diversity in emerging markets, combating deforestation linked to commodities, and advocating for equal voting rights, especially in the US.</li> <li>• <b>Baillie Gifford</b> engaged with management of companies to discuss their policies on effective corporate governance, executive remuneration, company culture, carbon-intensity and greenhouse emissions reduction, among others.</li> <li>• <b>Columbia Threadneedle</b> engaged with companies on a number of issues, including sustainability, climate change and corporate</li> </ul>

			<p>governance. CTI set the goal over the year of reaching net zero emissions by 2050 or sooner on all assets under management.</p> <ul style="list-style-type: none"><li>• <b>M&amp;G</b> engaged with companies over the year to discuss ESG related issues, such as climate change, setting emission reduction and net zero targets, as well as improved disclosures on copper switch-offs.</li><li>• <b>Insight</b>, a leader in investment management, emphasizes accountability, transparency, and stewardship. They focus on risk management, liability-driven investment, and fixed income, which sets them apart from peers who primarily focus on equities. They prioritize transparency and collaboration to maximize the impact of their engagement with stakeholders. In 2022, Insight conducted over 1,100 engagements with corporate bond issuers, incorporating discussions on ESG issues. They also collaborate with governments, companies, and civil society organizations to enhance knowledge and create a unified voice on these issues.</li></ul>
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