

Implementation Statement

Welcome to the Trustee's statement of how it implemented the policies and practices in the Scheme Statement of Investment Principles (SIP) during the year ending 5 April 2021.

Introduction

This is the Trustee's first Implementation Statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This Statement sets out how the Trustee has complied with the policies and practices in the Scheme's SIP during the period from 6 April 2020 to 5 April 2021.

Why do the Scheme's investments matter to me?

The Scheme provides you with benefits on a defined benefit ("DB") and/or a defined contribution ("DC") basis (sometimes called money purchase benefits). Benefits which are DB in nature are based on the service you have completed in the past but take account of expected future salary increases. Contributions from the employer are invested in such a way as to meet your DB benefits as they fall due. Benefits which are DC in nature will be determined by how much the funds where your savings are invested grow over the years.

What is the Statement of Investment Principles ('SIP')?

The SIPs set out the investment principles and practices the Trustee follows when governing the Scheme's investments. They describe the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme's SIPs that were in place over the year to 5 April 2021. In order to reflect new regulatory requirements, the SIPs were reviewed and signed by the Chair during the last Scheme year on 16 July 2020. The main changes to the SIPs were to update the SIPs to comply with the new regulations introduced in June 2019 in relation to Responsible Investment (RI) as follows:

- How the Trustees take account of 'financially material considerations' from a strategic, structural and investment manager selection perspective. 'Financially material considerations' includes, but is not limited, to Environmental, Social and Governance (ESG) factors. Climate change is an issue singled out for attention;
- The extent to which any non-financial matters are considered;
- The Trustee's approach to stewardship activities for the assets held, including how they engage with investment managers, delegation of voting rights and the monitoring process carried out by the Trustee;

Apart from the inclusion of the topics referenced in the above bullet points, the Scheme SIPs between 6 April 2020 and 5 April 2021 were fundamentally the same as the SIP signed on 16 July 2020 from an investment policy, objective and risk management perspective. The next review of the SIPs will take place no later than July 2023, or sooner if there are changes to the investment strategy.

You can find a copy of the Scheme SIP at <https://www.agbarr.co.uk/pension-information/>

What is the Implementation Statement for?

Each year from 2020, the Trustee is required to prepare an Implementation Statement which sets out how it has complied with the Scheme SIPs during the last Scheme year. This report covers the SIPs that were signed on 16 July 2020 as well as the SIPs in place between 6 April 2020 and 16 July 2020.

Overall, the Trustee is satisfied that:

- **Throughout the last Scheme year, the DB and DC Section's investments have been managed in accordance with the SIPs at that time; and**
- **The provisions in the current SIPs remain suitable for the Scheme's members.**

How the Scheme's investments are governed

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

WRG Barr resigned as Chair of the board of Trustee Directors on 26 May 2020 and A C Martin, an independent Trustee Director, was appointed as Chair on the same day.

In accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member Nominated Directors (MNDs).

G Irving was appointed as a MND on 26 September 2016 to serve for a period of five years. Following a nomination exercise, Robert Porter was appointed as a second MND on 21 August 2020. MNDs may be removed before the end of their five year term only by agreement of all the remaining Directors, although their appointment ceases if they cease to be employed, active deferred or pensioner members of the Scheme.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the investment managers. As at 5 April 2021, these were Newton Investment Management ("Newton"), Barings Asset Management ("Barings") and Legal and General Investment Management ("LGIM") for the DB Section of the Scheme and Newton and Aberdeen Standard Investments ("Standard Life") and LGIM for the DC section of the Scheme.

How the Scheme's investments are governed (continued)

The Trustee undertook the following training during the last year to ensure that its knowledge of investment matters remains up to date:

Date	Topic	Aim	Trainer
May 2020	COVID pandemic – impact on the Scheme and Trustee functions	Ensure Trustee knowledge is up to date	Hymans Robertson
July 2020	“Responsible Investment “ - new regulatory requirements and updates to SIPs	Ensure Trustee knowledge is up to date	Hymans Robertson
July 2020	Objectives for investment consultants – new CMA order – key metrics for assessment	Ensure Trustee knowledge is up to date	Hymans Robertson
January 2021	Route to Buyout	Training on DB Section's route to buyout	Hymans Robertson
January 2021	Brexit	Baring's view on Brexit	Barings

The Trustee hold's its investment advisors to account by monitoring how well they meet the objectives agreed with them. These are intended to help the Trustee meet its SIP objectives by aligning the objectives with the requirements of the SIPs, including minimising risks, considering responsible investment and providing appropriate advice, monitoring and training.

The Trustee is satisfied that during the last Scheme year:

- * **The Scheme's governance structure was appropriate; and**
- * **The Trustee has maintained its understanding of investment matters;**

The Trustee has liaised with its investment advisor in relation to its objectives and will review the investment advisor against its agreed objectives in late 2021.

How the investment strategy is managed

The objectives and rationale for the investment strategy are set out in the Scheme's current DB SIP on page 1 and DC SIP on page 3-6.

DC members currently have units allocated in each of the underlying pooled funds, in proportion to the strategic asset allocation.

The Trustee has carried out a formal investment strategy review over the last Scheme year for the DB section in conjunction with the triennial actuarial valuation. As part of this review the Trustee has agreed a number of changes to the strategy that will be implemented during 2021 to reflect the objectives, end game planning and reduce the level of risk within the Scheme. The DC strategy has also been reviewed as part of a move toward a new master trust arrangement which will also be implemented in 2021.

Over the last Scheme year, the Trustee monitored fund performance relative to the manager's respective benchmarks and targets on a 6 monthly basis.

How investments are chosen

The Trustee's approach to the selection of new investments is set out in the DB SIP on pages 3-5 and in the DC SIP on pages 11-14.

The Trustee reviews the performance of its managers on a 6 monthly basis against a series of metrics, including, but not limited to, financial performance against the benchmark and objectives of the mandate and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed. The Trustee is satisfied that all managers performed within the objectives of their mandates during the year.

For any future manager appointments, the Trustee will continue to consider the policies set out in the SIP, especially around the remuneration of managers.

The expected risks and returns in the Scheme

The investment risks and returns relating to the Scheme are described in the DB SIP on pages 2 and 3 and on pages 7-10 on the DC SIP. The Scheme's investments met their return objectives over the year to April 2021.

The Trustee believes that the main investment risks the Scheme faces as described in the SIPs have not changed materially over the last year.

The Trustee is satisfied that through a diversified portfolio, systemic risk can be mitigated, and accept that it is not possible to make specific provision for all possible eventualities which arise under this heading.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) and the style of management adopted by the Scheme.

When determining the long-term mix of investments for the Scheme, the Trustee monitored and managed risks as described in the SIPs.

Ability to invest / disinvest promptly ('liquidity')

It is important that member benefits can be received promptly, and that the Scheme's investments can be realised quickly if required. The emergence of the COVID-19 pandemic in March 2020 did bring with it concerns over a lack of liquidity, mainly in credit markets, however with central bank support, these concerns were abated.

No issues of liquidity were reported over the last Scheme year.

Portfolio turnover within funds

The Trustee monitors the volume of buying and selling of the assets underlying each pooled investment fund by the fund managers. Short-term changes in the level of turnover may be expected when a manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

The Trustee is satisfied that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives. The Trustee delegated this check to its investment consultant, the fund managers cover this detail in their quarterly reporting.

Manager incentives

As described on page 6 of the DB SIP and page 11 of the DC SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

Additional Voluntary Contributions (AVCs)

The Trustee offers members the opportunity to pay additional contributions and invest in a range of vehicles at the members' discretion. The Trustee holds these assets separately from the Scheme to secure benefits on a money purchase basis for those DB members electing to pay AVCs.

The Trustee periodically monitors the investment suitability of the underlying AVC fund range.

The Trustee has thought about the policies specified in the SIP and have applied them in a proportionate manner to the Scheme's AVCs. Therefore, the reporting summarised elsewhere in the Implementation Statement also broadly holds true for the Scheme's AVC investments.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers, Newton, Barings, LGIM and Standard Life. The Trustee believes it is important that the managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with the managers which is undertaken in conjunction with its investment advisors. The Trustee met in July 2020 and in January 2021 to consider its exercise of stewardship both during these meetings and through reporting provided by its investment advisor.

The Trustee also monitors compliance with its Stewardship Policy on a regular basis and are satisfied that it has complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The 2008 DB Section holds assets with Legal & General Investment Management (LGIM) and while LGIM actively engages with investee companies the nature of the Scheme holdings are largely government bonds and cash and are therefore not as relevant from an engagement perspective.

The DB Section also holds assets with Barings. Whilst Barings actively engage with investee companies the nature of the Section holdings are largely bonds and cash and are therefore not as relevant from an engagement perspective.

Similarly, the DC Section holds assets with Aberdeen Standard and while Aberdeen Standard actively engages with investee companies the nature of the Section holdings are largely government bonds and cash and are therefore not as relevant from an engagement perspective.

The Scheme holds assets with Newton (DB and DC Sections) and LGIM (DC Section) which are invested in equities. The Trustee seeks to ensure that Newton 50:50 Global Equity Fund and LGIM Global Equity Fixed Weights (50/50) Fund are exercising voting rights and, where appropriate, will monitor voting patterns. The Trustee also monitors Newton and LGIM's voting on particular companies or issues that affect more than one company.

Newton and LGIM have reported on how votes were cast in these mandates as set out in the tables below.

Voting activity (continued)**Newton¹**

50/50 Global Equity Fund	
Proportion of Section assets as at 5 April 2021	25.3% DB, 61.7% DC
No. of meetings eligible to vote at during the year	84
No. of resolutions eligible to vote on during the year	1,341
% of resolutions voted	99.0
% of resolutions voted with management	85.4
% of resolutions voted against management	14.6
% of resolutions abstained	0.0
% of meetings with at least one vote against management	41.0

LGIM¹

Global Equity Fixed Weights (50:50) Index	
Proportion of Section assets as at 5 April 2021	10.3% DC only
No. of meetings eligible to vote at during the year	3,641
No. of resolutions eligible to vote on during the year	44,680
% of resolutions voted	99.97
% of resolutions voted with management	83.56
% of resolutions voted against management	16.29

Significant votes

The Trustee has asked Newton to report on the most significant votes cast within the 50/50 Global Equity Fund. Newton were asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement they had undertaken with the company and the outcome of the vote. From the Newton report, the Trustee has identified the following votes as being of particular relevance to the Scheme.

¹ Voting data for the year end 31 March 2021

Significant votes (continued)**Newton 50/50 Global Equity**

Date	Company	Subject	Manager's vote and rationale	Outcome
29/04/2020	Unilever plc	Remuneration	<p>Voted against - the remuneration report and members of the remuneration committee. The first concern was with the 'co-investment plan', into which directors must invest at least one third of their annual bonus. This means that if no bonuses are awarded, executives have no long-term incentive, which may force bonuses to be awarded more generously than deserved. Secondly, variable pay awards continue to be determined as a multiple of fixed pay into which other benefits like pensions are bundled, rather than as a multiple of base salary.</p>	<p>Newton considered this a significant vote given the attention the subject receives from investors and wider stakeholders and that certain elements of the pay structure is not in line with established UK best practice. The vote was passed.</p>
30/09/2020	Alibaba Group Holding Limited	Director Election	<p>Voted Against - voted against the two members of the governance committee who were seeking re-election given our concern surrounding the low level of independence on the board.</p>	<p>Vote passed but this vote clearly highlighted an area of contention for the company's non-domestic shareholders and a matter where improvements could increase the company's attractiveness to foreign investors.</p>

Significant votes (continued)

Date	Company	Subject	Manager's vote and rationale	Outcome
02/12/2020	Microsoft Corporation.	Audit/Remuneration	<p>Voted against - Despite improvements to executive remuneration practices over recent years, we remained concerned that approximately half of long-term pay awards vest irrespective of performance. We voted against the executive compensation arrangements and against the three members of the compensation committee.</p> <p>Voted against - the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.</p>	While the vote outcome in relation to the external auditor will barely register with the company, the near majority support for the shareholder proposal provides an increased likelihood of shareholders' rights being improved. The improvements will require further shareholder votes at a future AGM in order for the company to make the necessary changes to its bylaws.

LGIM²

The Trustee has asked LGIM to report on the most significant votes cast within the 50:50 Global Equity Index Fund. LGIM were asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement they had undertaken with the company and the outcome of the vote. From the LGIM report, the Trustee has identified the following votes as being of particular relevance to the Scheme.

² Voting data for the year end 31 March 2021

Significant votes (continued)**LGIM Global Equity Fixed Weights (50:50) Index**

Date	Company	Subject	Manager's vote and rationale	Outcome
07/05/2020	Barclays	Climate Change	Voted for - the resolution proposed by Barclays set out its long-term plans and had the backing of ShareAction and co-filers.	Vote passed - the hard work is just beginning. LGIM's focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. They plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.
07/09/2020	International Consildated Airlines Group	Remuneration	Voted against - the remuneration report for the financial year to 31 December 2019 was submitted to a shareholder vote. LGIM were concerned about the level of bonus payments and expected the remuneration committee to exercise greater discretion in light of the financial situation of the company.	Vote passed - LGIM considers this vote significant as it illustrates the importance for investors of monitoring their investee companies' responses to the COVID crisis.

Significant votes (continued)

Date	Company	Subject	Manager's vote and rationale	Outcome
23/10/2020	Qantas Airways Limited	Remuneration	Voted for - LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.	Vote passed – it however highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.
28/01/2021	Walgreens Boots Alliance, Inc.	Executive officer compensation	Voted against - the company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance.	Vote failed - it was high-profile and controversial.

The resolutions which Newton and LGIM voted against management the most on over the scheme year were mainly in relation to remuneration. Whilst the resolutions described above largely passed, Newton and LGIM have demonstrated long term opposition to these and have continued their engagement with the companies encouraging them to take appropriate action.

Engagement activity

The Trustee holds meetings with the Scheme's investment managers on a periodic basis where stewardship issues are discussed in further detail.

Newton (2008 DB & DC), LGIM (2008 DB & DC) and Barings (2008 DB only) both produce reports on their wider stewardship activity over the year detailing their engagement activity across their entire range of funds. The following table summarises the key engagement activity for the 12-month period ending 31 March 2021.

Newton (2008 DB & DC)

Topic engaged on	Number of times topic was engaged
Climate Change	25
Human Capital Management	23
Board Leadership	17
Strategy and risk	17
Remuneration	17

LGIM (2008 DB & DC)

Topic engaged on	Number of times topic was engaged
Climate Change Matters	407
Executive Remuneration	234
Diversity (gender and ethnicity)	174
Board Composition	94
Strategy	92

Barings (2008 DB only)

Topic engaged on	Number of times topic was engaged
Greenhouse gas emissions	10
Climate Change	3
Audit	3
Stakeholder	3
Strategy	2

The above are the top five topics the managers engaged with companies on over 2020/21 with Newton, LGIM and Barings frequently engaging on executive remuneration as well as topics surrounding climate change and sustainability. The main methods of engagement were management meetings, shareholder calls and AGMs.

Use of a proxy advisor

The Trustee's managers have made use of the services of the following proxy voting advisors over the period:

Manager	Proxy Advisor used
Newton (2008 DB & DC)	ISS for the purpose of administering proxy voting as well as its research reports on individual company meetings. Only in the event where they recognise a potential material conflict of interest do they follow the voting recommendations of ISS.
LGIM (2008 DC)	In-house custom voting policy in conjunction with ISS 'ProxyExchange' platform.
Barings (2008 DB only)	N/A

Review of policies

The Trustee has committed to reviewing the managers responsible investing policies on a regular basis.

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies, remain suitable for the Scheme.

Limitations and missing information

The Trustee has been able to obtain full information on voting data and engagement activity for the majority of the Scheme's AVC investments invested in Newton as outlined above. However, there are some legacy arrangements where full information was not obtained. The Trustee believes this is a temporary issue while platform providers and fund managers put these new reporting requirements in place. The Trustee and its investment advisor will work with these AVC managers (and voting service agencies) to compile this information in readiness for next year's Implementation Statement.