

Workers Pension Trust

Implementation Statement for the year ending 31 December 2020

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Trust's Statement of Investment Principles during the year ending 31 December 2020.

Why do the Trust's investments matter to me?

The DC section of the Trust provides you with benefits on a defined contribution ("DC") basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds where your savings are invested grow over the years.

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

The SIP sets out the investment principles and practices the Trustee follows when governing the Trust's investments. It describes the rationale for the investment options which you can choose (including the default arrangement if you don't make a choice), explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

The last review of the Trust's SIP was completed on 29 September 2020 and the next review is scheduled to take place during 2021.

The following changes were made to the SIP during the last year:

- The SIP was updated to reflect a change in investment advisor from Mercer to Hymans Robertson LLP.
- A section has been added to the SIP to recognise the necessity for occasional temporary default arrangements when an investment manager suspends trading in a fund or closes it to new investment. See section 4.5 of the September 2020 SIP for further details.
- The Trustee added to the Responsible Investment policies within the SIP in the following areas:
 - Stewardship: The Trustee clarified that stewardship activities are prioritised for the default arrangement as it is used by the largest number of members and accounts for the majority of the trust's assets. Furthermore, it was noted that the Trustee aims to meet with all fund managers on an annual basis to discuss (where appropriate) issues relating to individual holdings, voting records and other ESG issues.
 - Conflicts of interest: The Trustee will seek to establish that chosen investment managers have appropriate conflicts of interest policies in place and consider any conflicts of interest arising in the management of funds.
 - Voting and engagement: The Trustee has included new investment beliefs relating to voting and engagement and believes that engagement with companies in which the Trust invests can improve long term returns for members. Investment managers are expected and should be encouraged to exercise voting rights and the Trustee will review engagement activity annually.

See section 6 of the SIP for further information.

- The Trustee has made amendments to Section 7 regarding how the Trust manages risk. A key addition for 2020 is that the Trustee will monitor the age profile of the Trust's members to arrive at an appropriate investment horizon when considering all investment and financially material risks. Small amendments have also been made to the Trustee's view on Currency risk, market

timing risk, credit risk, liquidity risk, solvency risk. The Trustee have added in a section on employer risk (the risk relating to the ability and degree of willingness of employers to support the continuation of the trust) and an acknowledgment that other risks will be monitored in the future if necessary.

- The Trustee added to the monitoring of investment advisor and manager policies within the SIP in the following areas:
 - Investment advisor: The Trustee will now assess and review the performance of the investment advisor on an annual basis.
 - The trustee has also now included sections relating to the structure of investment arrangements, the role of investment managers, the selection of funds, manager incentives, portfolio turnover, portfolio duration and the realisation of investments.

See section 8 of the SIP for further information.

If you want to find out more, you can find a copy of the Trust's SIP (and the Trust's Chairs Statement) at <https://workerspensiontrust.co.uk/>.

What is this Implementation Statement for?

Each year, from October 2020, the Trustee is required to prepare an Implementation Statement, which sets out how they have complied with the Trust's SIP during the last year.

Overall, the Trustee is satisfied that:

- **The Trust's investments have been managed in accordance with the SIP; and**
- **The actions taken over the course of the year reflect the provisions in the SIP for the year to 31st December 2020.**

How the Trust's investments are governed

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

The following changes were made during the last year:

- The Trust appointed Hymans Robertson LLP as the investment advisor.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the platform provider Legal and General Investment Management ("LGIM").

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

- The Trustee attended a responsible investment webinar on 5 May 2020.
- The Trustee received training on the SIP on 27 August 2020.
- The Trustee received investment training on legislation and regulation, the DC code of practice, different asset classes and the role of the Master Trust on 22 October 2020.

The Trustee monitors how well their investment advisers meet the objectives agreed with them.

The Trustee is satisfied that during the last year:

- **The Trust's DC governance structure was appropriate;**
- **The Trustee has maintained their understanding of investment matters; and**
- **Their investment advisers met the agreed objectives.**

How the default arrangement and other investment options are managed

The objectives and rationale are set out in the SIP on pages 4 to 5 for the default arrangement and the other investment options.

The Trustee has carried out, through quarterly monitoring, a review of the default arrangement and other investment options to ensure they remain suitable for most members. This involved:

- Ensuring that the default arrangement complies with the charge cap;
- Monitoring the investment performance of each fund;
- Monitoring the turnover of the assets in which each fund is invested;
- Considering whether the funds still meet the investment objectives the Trustee has set for the default arrangement and other investment options; and
- Confirming whether there have been any significant changes in the demographic profile of the Trust's membership, members' choices of investment options and members' choices of benefits when they retire.

During the year, the Trustee put in place the following long-term objectives for the Trust:

- Provide excellent long-term value for members;
- Deliver market leading standard in quality and security;
- Offer appropriate choices and flexibility for members to take control of their savings, should they wish; and
- To have a positive influence on the planet and the people in it.

These objectives were developed by the Trustee with support from their investment advisor after considering member feedback from focus groups, and exploring the likely long-term needs of different groups of members.

The latest formal investment strategy review started after the year end in March 2021. The trustee will consider the review and incorporate any of the recommendations they deem appropriate over the course of 2021.

The Trustee's investment beliefs

The Trustee has developed a set of investment beliefs which are set out in the SIP which they use as a guide when making investment decisions.

The Trustee expects to review their investment beliefs alongside the review of the investment strategy in 2021.

The expected risks on your savings in the Trust

The investment risks relating to members' benefits are described in the SIP on pages 16 to 19.

During the last year the Trustee, with the help of their investment adviser, reviewed the appropriateness of the main investment risks detailed in the SIP and have now included the following:

- Employer risk: The risk relating to the ability and degree of willingness of employers to support the continuation of the trust.
- The Trustee have also included a section noting that other risks will be monitored in the future if these are deemed to be material.

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 Trust invests in over the longer-term) for the Trust's lifestyle options which gradually change the funds in which your savings are invested as you approach retirement.

With the additions above, the Trustee believes that the main investment risks members face described in the SIP are captured.

The Trustee's views on the long-term mix of investments for the Trust's lifestyle options including the default arrangement did not change during the last year.

Platform providers and fund managers

Choice of platform provider and funds

The Trustee monitors the service of the platform provider used by the Trust by:

- Reviewing quarterly investment reporting
- Reviewing annual audit and assurance reporting from the provider

The Trustee monitors the performance of the funds used by the Trust by:

- Assessing whether the Trust's investments are performing in line with expectations on a quarterly basis;
- Reviewing investment manager performance at each Trustee meeting, receiving advice from the investment advisors where there are issues or concerns; and
- Consulting the investment advisor on any significant developments relating to the investment strategy, investment manager or underlying funds.

There have been no changes to the platform provider and funds during the last year.

The Trustee is satisfied that during the reporting year the platform provider used by the Trust was appropriate.

Ability to invest / disinvest promptly

It's important that your contributions can be invested promptly in the default arrangement or the investment options you have chosen and that your investments can be sold promptly when you want to change where they are invested, transfer your pension pot to another Trust or your benefits are due to be paid out when you retire.

The Trustee ensures this happens by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

The Trustee is satisfied that money can be invested in and taken out of the Trust's funds without delay as set out in the SIP.

Changes in where funds are invested

The Trustee monitors the volume of buying and selling of the assets by the fund manager in which each fund is invested. This is achieved indirectly by considering the level of transaction costs incurred by each fund, which reflect the costs of buying and selling underlying assets.

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.

Security of your savings in the Trust

In addition to the normal investment risks faced investing in the funds used by the Trust, the security of your savings in the Trust depend upon:

- The financial strength of the investment platform provider used by the Trust;
- The financial strength of the fund managers used by the investment platform; and
- The legal structure of the funds the Trust invests in.

The financial strength of the platform provider and the fund managers has a bearing on the risk of losses to the Trust's members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

In November 2020, the Trustee reviewed information from the platform provider on the provider's financial health and the structure of the funds used by the Trust. This involved an assessment of the Security of Assets Summary for Legal and General Assurance (Pensions Management) Limited for the year ended 31 December 2019. This was then issued to the wider Trustee Board who reviewed it in January 2021.

The Trustees are satisfied that they have the information they need on the solvency position of the Investment vehicle. The solvency capital requirement (SCR) is well covered by funds that are known as *unrestricted Tier 1 basic Own Funds*. Solvency II requires that at least 80% should be Tier 1. Tier 1 is defined as the highest quality of funds. Legal and General have 100% of Tier 1 to cover their solvency requirements.

There have been no changes to the structure of the funds used by the Trust during the last year. The Trustee is not aware of any material changes in the financial strength of the investment platform provider or the fund managers used by the platform in the last year.

Conflicts of interest

As described on page 14 of the SIP, the Trustee considers potential conflicts of interest:

- When choosing fund managers;
- When monitoring the fund managers' investment performance and the fund managers' approaches to investment stewardship and responsible investing; and
- When the fund manager is making decisions on where each fund is invested.

The Trustee expects the fund managers to invest the Trust's assets in the members' best interests. As the funds used by the Trust are held at arms-length from the Trustee via an investment platform, the Trustee have asked the platform provider to report/receive reports from the platform provider on its own investment governance of the funds including potential conflicts of interest. Where managers are investing in new issuance, the Trustee requires the investment manager to engage with the issuer

about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

When choosing investment manager's funds, the Trustee seeks to confirm that each of the relevant managers have appropriate conflicts of interest policies.

The Trustee is satisfied that there have been no material conflicts of interest during the year which might affect members' benefit expectations.

Manager incentives

As described on page 20 of the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

The funds used by the Trust are held at arms-length from the Trustee via an investment platform. Nevertheless, the Trustee believes it is in the platform provider's best commercial interests to ensure that the fund managers are suitably incentivised to meet their funds' investment objectives.

The Trustee is satisfied that the fund managers are suitably incentivised to deliver good outcomes for the Trust's members.

Responsible Investment

The Trustee recognises that responsible investing covers both sustainable investment and effective stewardship of the assets the Trust invests in.

The Trustee made the following changes to their approach to responsible investing during the last year:

- The Trustee clarified that stewardship activities are prioritised for the default arrangement as it is used by the largest number of members and accounts for the majority of the trust's assets. Furthermore, it was noted that the Trustee aims to meet with all fund managers on an annual basis to discuss (where appropriate) issues relating to individual holdings, voting records and other ESG issues.
- The Trustee has included new investment beliefs relating to voting and engagement and believes that engagement with companies in which the Trust invests can improve long term returns for members. Investment managers are expected and should be encouraged to exercise voting rights and the Trustee will review engagement activity annually.

Sustainable Investment

The Trustee believes that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Trust's investments and in turn the size of your retirement benefits.

The Trustee has considered the length of time members' contributions are invested in the Trust when choosing and reviewing the funds used in the investment options. The Trust potentially has members joining from age 16 who could therefore have savings invested for at least 49 years during which equities that are well prepared for the green transition are expected to outperform ones that are less prepared.

The Trustee periodically reviews the platform provider’s approaches to sustainable investing. The Trustee has access to annual reports from the platform provider on how they have handled these risks.

The Trustee is satisfied that during the last year the Trust’s investments were invested in accordance with the policies on sustainable investing set out in the SIP.

Investment stewardship

As described on pages 14 to 15 of the SIP, the Trustee believe it is important that the fund managers, as shareholders or bond holders, 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 major issues which affect a company’s financial performance (and in turn the value of the Trust’s investments).

As the Trust’s investments are held at arms-length from the Trustee and members through an investment platform operated by Legal and General, the Trustee are not able to instruct the fund managers how they should vote on shareholder issues. The Trustee nevertheless:

- Chooses fund managers whose voting policy are consistent with the Trust’s objectives;
- Expects fund managers to vote in a way which enhances the value of the funds in which the Trust invests;
- Monitors how the fund managers exercise their voting rights.

How does the Trustee monitor this?

The Trustee periodically reviews the platform provider’s and fund manager’s approaches to stewardship including voting and engagement policies.

The Trustee receives information from the platform provider annually on how the fund managers have voted at shareholder meetings and what topics fund managers have discussed with the companies in which they invest. In addition, the Trustee will seek reporting in relation to non-equity funds.

The funds with voting rights attached that are available to members as part of the default fund range or the self-select fund range are listed below along with summary voting statistics for each fund.

- Diversified Fund
- Global Equity Fixed Weights (50:50) Index Fund (charges included)

	Diversified Fund	Global Equity (50:50)
No. of resolutions eligible to vote	112,453	43,630
% resolutions voted	98.76%	99.97%
% resolutions voted against management	17.48%	16.19%
% resolutions abstained	0.55%	0.10%

The Trustee also considers how the fund managers voted on specific issues. The Trustee considers ‘significant votes’ to be either companies with relatively large weightings in the funds members invest in, or where there were shareholder issues that members are expected to have an interest.

The most significant shareholder votes and how the fund managers voted during the last year were:

Date	Company	Subject	Manager's vote
7 May 2020	Barclays	Approve Barclays' Commitment in Tackling Climate Change and proposals by ShareAction.	The manager voted for the proposals, after significant engagements in this area. The outcome of the vote was successful.
27 May 2020	Amazon	<p>Shareholder proposals 5 to 16</p> <p>Proposal 5 - Report on Management of Food Waste</p> <p>Proposal 6 - Report on Customers' Use of its Surveillance and Computer Vision Products or Cloud-Based Services.</p> <p>Proposal 7 - Report on Potential Human Rights Impacts of Customers' Use of Rekognition (Amazon's software service which provides fast and accurate face search for individuals in photos and videos) regarding threats to privacy/civil rights, use by authoritarian governments, good will and financial risks.</p> <p>Proposal 8 - Report on Products Promoting Hate Speech and Sales of Offensive Products.</p> <p>Proposal 9 - Require Independent Board Chairman.</p> <p>Proposal 10 - Report on Global Median Gender/Racial Pay Gap.</p> <p>Proposal 11 - Report on Reducing Environmental and Health Harms to Communities of Colour.</p>	<p>Of the 12 shareholder proposals, the Manager voted to support 10.</p> <p>The Manager looked into the individual merits of each proposal, and identified two main areas which drove their decision-making:</p> <p>Disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and</p> <p>Governance structures that benefit long-term shareholders (resolutions 9 and 14).</p> <p>The Manager voted against proposals 11 and 12.</p>

		<p>Proposal 12 - Report on Viewpoint Discrimination evaluating the range of risks and costs associated with discriminating against different social, political, and religious viewpoints.</p> <p>Proposal 13 - Report on Promotion Velocity which assesses the time it takes from the date of hire to promotion, or between one promotion and the next.</p> <p>Proposal 14 - Reduce Ownership Threshold for Shareholders to Call Special Meeting</p> <p>Proposal 15 - Human Rights Risk Assessment</p> <p>Proposal 16 - Report on Lobbying Payments and Policy</p>	
27 May 2020	Exxon Mobil	Elect Director Darren W. Woods	The Manager voted against, reflecting commitments as part of their climate pledge to hold the board to account on climate issues.

The Trustee is satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the SIP.

Impact Investing

Impact investing relates to investments that are intended to have a positive and measurable environmental or social impact, alongside a financial return. For instance, investing in businesses and projects which benefit the local community or investing globally in companies and projects which are expected to have a positive impact on greenhouse gas emissions. The Trustee is of the view that impact investing is of financial benefit to the Trust's members and consistent with the investment objectives of the Trust's DC investment options.

The Trustee is monitoring, through their investment advisor, the development and availability of funds suitable for the Trust which could have a positive impact in the UK and globally.

Ethical Investing

The Trustee recognises that some members will have strong views on where their pension savings should be invested. The Trust currently doesn't offer any ethically focussed investment options to members.

Nevertheless, the Trustee recognises that it is not possible to cater for everyone's views on non-financial/ethical matters.

The Trustee monitors developments in ethical investing funds which could be appropriate to the Trust's members.

The Trustee will review the range of investment choices for members during 2021, and as part of this will consider if there is merit in introducing an ethical choice.

Communication and member engagement

The Trustee made the following changes to how the Trust's investment options and investment governance are communicated to members:

- The Trustee has changed the SIP for the latest regulations and the introduction of the implementation statement.

During the last year the Trustee commissioned member focus groups to gain deep insight into their views and potential long-term priorities. This information was used to inform the Trust's long-term objectives and will be used to support the Trustee's review of the investment strategy and range of additional fund choices.

During the last year the Trustee followed the policies and practices described in the SIP.

Looking forwards

Over the next year, which will be covered by next year's Implementation Statement, the Trustee intends to undertake the following actions in relation to the SIP:

- Update the SIP for any changes resulting from the current strategy review.

More information

We hope this Statement helps you understand how the Trust's investment of your savings for retirement has been managed in the last year. If you have any questions or feedback, please contact:

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