

Workers Pension Trust (“WPT”)

Implementation Statement

for the period ending 31 March 2023

Welcome to the Trustee’s Statement on how they implemented the policies and practices in the WPT’s Statement of Investment Principles during the year ending 31 March 2023 (the “Scheme year”).

Why do WPT’s investments matter to me?

WPT 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 in which your savings are invested grow over the years.

What is the Statement of Investment Principles (“SIP”)?

The SIP sets out the principles governing the investment policy of the Trustee and the activities undertaken by them to ensure the effective implementation of those principles. It describes the rationale for the investment options which you can choose from (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 how the impact of climate change is considered).

The last review of the SIP was completed on 4 October 2022 and the next review is due to take place during 2023.

At the last review in 2022, the following changes were made to the SIP:

- an update following the change of Scheme Funder;
- the introduction of Mobius as a platform provider and noting the transfer of assets to the Mobius Life investment platform; and
- additional clarification to ensure the SIP was reflective of the current position of the WPT.

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

What is this Implementation Statement for?

The Trustee is required by law to prepare an Implementation Statement each year, setting out how SIP has been complied with during the Scheme year.

Overall, the Trustee is satisfied that:

- WPT’s investments have been managed in accordance with the SIP; and
- The actions taken over the course of the Scheme year comply with the provisions in the SIP.

How are WPT’s investments governed?

The Trustee has overall responsibility for how WPT’s investments are governed and managed in accordance with WPT’s Trust Deed and Rules as well as trust law, pensions law and pension regulations.

Trustee Directors have specific roles on the Board with Roger Mattingly leading on investment and Billy Foley supporting. Separate informal meetings are held as and when needed to manage business

as usual activity for efficiency, before referring investment matters back to the full Trustee Board for approval.

Due to the planned future consolidation with the Cushon Master Trust (“CMT”), regular monitoring of timescales for the implementation of a new Cushon Sustainable Growth strategy have taken place in order to ensure the strategy remains consistent with the Trustee’s investment beliefs, as set out within the SIP.

The following governance change was made during the Scheme year:

- A new professional Trustee who has extensive investment experience, Mark Hedges, joined the Trustee Board in May 2022, bringing more experience to the Board with a focus on administration matters.

After the end of the reporting period, additional governance changes were made:

- The Chair of Trustees, Elizabeth Hartree (representing Law Debenture), a professional Trustee, resigned in April 2023 from both the role of Chair of the Trustee and Trustee Director.
- A new Chair of Trustees, Mark Hedges, was appointed (one of the professional Trustee Directors already on the Board).

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the underlying investment manager, Legal and General Investment Management (“LGIM”), whilst the funds are held by the platform provider, Mobius Life.

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

- Completion of a training needs analysis via a questionnaire, asking the Trustee Directors to self-assess their knowledge, which included investment-related matters;
- Overview training on regulations relating to Task Force on Climate-Related Financial Disclosures (TCFD), approaches to setting metrics and targets, and undertaking of climate scenario analysis;
- Training on simplified annual benefit statements to ensure the members’ statements meet the regulatory requirements particularly around the new investment return assumptions; and
- Overview training on bulk transfers to enable understanding of the guidance on bulk transfers and the steps to consider in the process, including investment considerations.

The Trustee also continued to monitor how well its investment advisers met the objectives agreed with them by submitting the annual compliance statement.

The Trustee is satisfied that during the Scheme year:

- **WPT’s governance structure remained appropriate;**
- **The Trustee Directors maintained their understanding of investment matters; and**
- **Its investment advisers met the agreed objectives.**

How WPT’s default arrangement and other investment options are managed

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

No full investment review was carried out during the Scheme year due to the impending scheme consolidation with the CMT. The Trustee has carried out, through quarterly investment 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 WPT's membership, members' choices of investment options and members' benefits choices when they retire.

Over the Scheme year, the Trustee undertook high-level reviews of the investment strategy. This was in light of the adverse economic events during 2022 (war in Ukraine, high inflation and the Autumn mini budget) and the subsequent guidance released by the Pensions Regulator (TPR) on the economic climate. The Trustee was comfortable that no changes were required to the investment strategy. The Trustee considered communication with members and updated the member website with messaging regarding the impact of the volatility and provided helpful resources for members to help them understand and take any action which may be required.

Following the end of the Scheme year, the Trustee has considered the merits of removing the Foundation Phase from the default strategy, with a view to improving member outcomes. Due to the proximity to the date at which assets will bulk transfer to CMT and following confirmation from their administrators that this could not be executed within the timescales available prior to the bulk transfer of assets, the Trustee has agreed no further action will be taken regarding this at this time.

During the Scheme year, the Trustee made no changes to the long-term objectives for the WPT, although these were used to support the quarterly investment monitoring. As a reminder, the objectives are:

- To provide excellent long-term value for members;
- To deliver strong standards in quality and security;
- To 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 adviser after considering likely long-term needs of different groups of members.

The Trustee is satisfied that its long-term objectives for the WPT remain appropriate.

The Trustee is exploring the practicalities of making any changes to the default strategy to remove the Foundation Phase prior to the transfer to the CMT.

The Trustee's investment beliefs

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

These beliefs have not changed during the Scheme year.

In February 2023, the Trustee put in place a separate Responsible Investment and Stewardship Policy, which sets out Responsible Investment principles, how they link to the Trustee's investment beliefs, as well as the roles and responsibilities of the Trustee, the Scheme Funder and other involved parties (investment and legal advisers, investment managers).

The Trustee is satisfied that its investment beliefs remain appropriate.

Over the Scheme year, the Trustee has put in place a separate Responsible Investment and Stewardship Policy.

Identified risks to your WPT savings

The investment risks relating to members' benefits are described in the SIP on pages 15 to 18, including the ways in which these risks are mitigated. These risks include: inflation risk, pension conversion risk, lump sum risk, investment return risk, manager risk, market timing risk, currency risk, credit risk, liquidity risk, employer risk, solvency risk and climate risk.

During the Scheme year, the Trustee made no changes to the identified risks and estimated returns for WPT's investments concluding that these remained appropriate.

The Trustee believes that the main investment risks members face described in the SIP have not changed materially over the Scheme year.

The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks that members face.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocations (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) for the Scheme's default lifestyle option (which gradually change the funds in which members' savings are invested as they approach retirement).

The Trustee's view on the long-term mix of investments for the Scheme's default arrangement is that this requires changes which have been agreed (as per the 2021 strategy review). However the Trustee notes it is understood that these changes will be further considered following the consolidation with the CMT. The Trustee is comfortable with the sequencing of the transfer as a result of the consolidation.

The Trustee made no changes to the strategic asset allocation of the Scheme's default arrangement 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 WPT, Mobius Life, by:

- Reviewing quarterly investment reporting; and
- Reviewing independent annual audit and assurance reporting provided by the provider.

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

- Assessing whether WPT'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 advisers where there are issues or concerns; and
- Consulting the investment adviser 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 Scheme year. The underperformance of the LGIM Diversified Fund relative to its benchmark is largely due to underperformance of bonds and other alternative assets relative to global equity over rolling time periods and the use of a challenging equity benchmark (this is consistent with previous Scheme years). The Fund has performed in line with typical funds of this type, over the Scheme year, and the Trustee is comfortable this is within reasonable parameters.

The Trustee is satisfied that during the Scheme year, the platform provider, as well as the funds used by WPT remained appropriate for the Scheme's current position, based on the intention to transition to the CMT going forwards.

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 pension scheme or your benefits are due to be paid out when you retire.

The Trustee ensures this happens by currently 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 WPT's funds without unnecessary delay and no delays or gating have taken place over the Scheme year.

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 as well as the impact of other trading-related costs.

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, and thus have no material concerns about the impact of those trades on portfolio turnover or associated costs.

Security of your savings in WPT

In addition to the main investment risks associated with investing in the funds used by WPT, the security of your savings in WPT depends upon:

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

The financial strength of the platform provider and the fund managers has a bearing on the risk of losses to WPT'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 providers or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

The Trustee assessed the investments' security of assets in May 2022, by assessing the platform provider's business continuity plan and security mitigations, as well as receiving advice from its investment adviser.

The Trustee is satisfied with the financial strength of the investment platform provider and the fund managers used by the platform in the Scheme year.

Conflicts of interest

As described on page 13 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 WPT's assets in the members' best interests. As the funds used by WPT are held at arms-length from the Trustee via an investment platform, the Trustee has asked the platform provider to report on its own investment governance of the funds including potential conflicts of interest. Where managers are investing in newly issued funds, 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 managers' funds, the Trustee seeks to confirm that each of the relevant managers have appropriate conflicts of interest policies.

The Trustee is not aware of any material conflicts of interest with the fund manager during the Scheme year which might affect members' benefit expectations.

Manager incentives

As described on pages 19 and 20 of the SIP, the Trustee seeks to ensure that the fund managers are appropriately incentivised to deliver investment performance in keeping with the funds' objectives.

The funds used by WPT 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 incentivised to meet their funds' investment objectives.

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

Responsible Investment

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

The Trustee made no changes to its approach to responsible investing during the Scheme year and is comfortable that its approach remains appropriate.

The Trustee reviewed the approach for managing climate-related risks and opportunities during the Scheme year and this is included in WPT's TCFD report covering the period to 31 March 2022, which was published in July 2022.

Sustainable Investment

The Trustee believes that investing sustainably and responsibly 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 WPT's investments and in turn the size of members' retirement benefits.

The Trustee has considered the length of time members' contributions are invested in WPT when choosing and reviewing the funds used in the investment options. WPT 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 Scheme year, WPT's investments were invested in accordance with the policies on sustainable investing set out in the SIP.

Investment stewardship

As described on pages 13 & 14 of the SIP, the Trustee believes 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 WPT's investments).

In February 2023, the Trustee put in place a separate Responsible Investment and Stewardship Policy, which sets out Responsible Investment principles, how they link to the Trustee's investment beliefs, the Trustee's stewardship priorities as well as the roles and responsibilities of the Trustee, the Scheme Funder and other involved parties (investment and legal advisers, investment managers). The Trustee has determined that climate change is an ongoing priority theme and that wider themes will be considered alongside this with support for its advisers.

WPT's investments are held at arms-length from the Trustee and members through an investment platform, and the Trustee is not currently able to instruct the fund managers how they should vote on specific shareholder issues. The Trustee nevertheless:

- Chooses fund managers whose voting policy are consistent with WPT's objectives;

- Expects fund managers to vote in a way which protects or enhances the value of the funds in which WPT invests over the long-term; and
- Monitors how the fund managers exercise their voting rights in line with their policies.

How does the Trustee monitor this?

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

The Trustee receives information 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. This report includes voting statistics for two WPT funds which contain equity holdings. The industry as a whole currently does not have comprehensive data for reporting for non-equity funds but the Trustee will continue to monitor any improvements in this area and continue dialogue with managers where appropriate to further improve reporting going forwards.

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. Voting information is only applicable to equity funds, and is therefore not available for the other asset classes

	No. of resolutions eligible to vote	% resolutions voted	% resolutions voted for management	% resolutions voted against management	% resolutions abstained
Diversified Fund	99,252	99.8%	77.4%	21.9%	0.7%
Global Equity (50:50)	41,099	99.8%	81.9%	18.0%	0.1%

The Trustee also considered 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, where there were shareholder issues that members are expected to have an interest or where the impact of the resolution could be significant in terms of impacting shareholder value.

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

Company	Meeting date	Resolution	LGIM Vote	Commentary
AstraZeneca	29/04/2022	Approve Re/Election of Directors	Against	LGIM had concerns regarding the time commitment required to manage all board positions and the impact this will have on the ability to remain informed and contribute to board discussions.
Royal Dutch Shell Plc	24/05/2022	Approve the Shell Energy Transition	Against	LGIM remained concerned with the disclosed plans for oil and gas production, and would like further disclosure of targets associated with

Company	Meeting date	Resolution	LGIM Vote	Commentary
		Progress Update		the upstream and downstream businesses.
HSBC Holdings	29/04/2022	Approve Remuneration Report	For	LGIM voted for the resolution, noting no material concerns had been identified and director remuneration appeared appropriately aligned to company performance over the period.
Unilever	04/05/2022	Approve Political Contributions	For	No commentary was provided by L&G for this vote.
BP Plc	12/05/2022	Approve Net Zero – From Ambition to Action Report	For	LGIM voted for the resolution, acknowledging that the company has taken significant steps to progress towards a net zero pathway. LGIM wish to continue to engage with BP Plc on their downstream ambition and approach to exploration.
Rio Tinto Plc	08/04/2022	Approve Climate Action Plan	Against	LGIM remained concerned with the absence of quantifiable targets for scope 3 carbon emissions, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
Glencore Plc	28/04/2022	Approve Climate Progress Report	Against	LGIM remained concerned over the company's activities around thermal coal and lobbying, which they deemed inconsistent with the Paris goals of limiting the global average temperature increase to 1.5°C.

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.

How do fund managers implement their votes?

The managers often make use of proxy voting to inform their decision making. The managers use the following organisations as proxies for their voting activity:

Manager	Comment on approach
LGIM	LGIM uses ISS to place its electronic votes through ISS ProxyExchange. LGIM have a custom voting policy in place to ensure their provider votes in accordance with their policies.

Ethical Investing

The Trustee recognises that some members will have strong views on where their pension savings should be invested. WPT 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 WPT's members.

Following the transfer to the CMT, members may be able to access ethically focussed self-select funds.

Communication and member engagement

During the Scheme year the Trustee made no changes to how WPT's investment options and investment governance are communicated to members.

The Trustee updated the member website with messaging regarding the impact of the recent market volatility and provided helpful resources for members to help them understand and take any action which may be required.

In July 2022, the Trustee released its first report in line with recommendations made by the TCFD which sets out how climate-related risks and opportunities are governed.

During the Scheme year, the Trustee's approach was aligned with the policies and practices described in the SIP.

More information

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

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Signed: Mark Hedges..... (Mark Hedges, Chair of the WPT Trustee Board)

Date.....13 September 2023.....