



The Pension and Life Assurance Plan of NG Bailey

September 2021

Background and Implementation Statement

Background

The Department for Work and Pensions (“DWP”) is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (“ESG”) factors as financially material and pension schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that pension schemes detail their policies in their statement of investment principles (“SIP”) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (“SIP”)

The Pension and Life Assurance Plan of NG Bailey (the “Plan”) updated its SIP in to in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address <https://www.ngbailey.com/who-we-are/our-standards>. Changes to the SIP are detailed on the following page.

Implementation Report

This implementation report is to provide evidence that the Plan continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Plan has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Plan has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 28 February 2021 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

Summary of key actions undertaken over the Plan reporting year

The Trustee undertook a strategy review to ensure the Plan's investment strategy continues to operate in an effective and efficient manner, along with being well aligned to the Plan's key investment objectives. Based on proposed portfolios presented by Isio, the Trustee agreed to refine the Plan's investment strategy and restructure its liability matching asset mandate. The agreed portfolio will aim to increase the accuracy of the Plan's liability matching assets relative to the Plan's liabilities, reduce the portfolio's overall risk metrics and bring the expected return in line with the Plan's strategic target, whilst maintaining a sufficient level of liquidity for any potential insurance transactions. The implementation of the new investment strategy is currently underway and is expected to complete in H2 2021 (calendar year).

Implementation Statement

This report demonstrates that the Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed: *WPS Trustee Services Limited, acting as Trustee of The Pension and Life Assurance Plan of NG Bailey*

Date: 22 September 2021

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks.	<p>The Trustee conducted a strategy review which included a review of its LDI mandate to ensure the Plan remains in line with its target hedge ratio.</p> <p>The refined mandate is due to be implemented in H2 2021 (calendar year).</p>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI/synthetic equity manager.	The Trustee and Isio monitor liquidity of the portfolio on a regular basis.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	<p>During the period, the Trustee undertook a strategy review to ensure the Plan's portfolio continues to operate in an effective and efficient manner, along with being well aligned with the Plan's key investment objectives.</p> <p>Once implemented, any changes will be reflected in the Plan's SIP accordingly.</p>
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.	This is considered as part of the investment strategy work.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:	The Trustee has updated the SIP to reflect the new ESG regulations.

	performance of the Plan's investments.	<ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory <p>The Trustee monitors the Plan's managers on an ongoing basis.</p>	
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Where possible, hedge all currency risk on all assets that deliver a return through contractual income.	<p>There is no direct currency risk within the Plan's investments, as all units are held in a Sterling share class. Indirect currency risk may exist within pooled vehicles if underlying investments are held in non-Sterling assets.</p> <p>Any potential currency risks are considered as part of the Plan's investment strategy.</p>
Non-Financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	This is considered as part of the investment strategy work.

Changes to the SIP

Policies added to the SIP

Date updated: September 2020

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.

- As the Plan is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.

How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.

- Once the updated investment strategy is in place, the Trustee will regularly review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.

How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.

- The Trustee will review the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
- The Trustee will evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
- Investment manager fees are reviewed periodically to make sure the correct amounts have been charged and remain competitive.

The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.

- The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

The duration of the Plan's arrangements with the investment managers

- The duration of the arrangements is considered in the context of the type of fund the Plan invests in.
- For closed-ended funds or funds with a lock-in period, the Trustee ensures the timeframe of the investment or lock-in is in line with the Trustee objectives and Plan's liquidity requirements.
- For open-ended funds, the holding periods are flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regards to ESG as a financially material risk. This page details Isio's assessment criteria as well as the ESG beliefs used in evaluating the Plan's managers' ESG policies and procedures. The rest of this statement details the Trustee's view of the managers, actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Plan's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Plan's ESG policies and engagements periodically to ensure they remain fit for purpose – for now, the Trustee have adopted Isio's standard ESG beliefs, shown below.

As the revised investment mandates are implemented the Trustee will seek to engage with the investment managers to understand in more detail their approach to ESG and how they are engaging with underlying investments.

Areas of assessment and ESG beliefs

Risk Management	<ol style="list-style-type: none"> Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Plan. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee.
Approach / Framework	<ol style="list-style-type: none"> The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. ESG factors are relevant to investment decisions in all asset classes. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> Ongoing monitoring and reporting of how asset managers manage ESG factors is important. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge. The role of the Plan's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	<ol style="list-style-type: none"> The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. Engaging is more effective in seeking to initiate change than disinvesting.

Collaboration

11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why.
 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.
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Notes: UN PRI is the 'United Nations Principles for Responsible Investment' and is widely recognised as a leading network for investors seeking to implement a range of responsible investment goals.

TCFD is the 'Task Force on Climate-Related Financial Disclosures' and was created to improve and increase the reporting of climate-related financial risks by those who provide information to stakeholders.

Engagement

As the Plan invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 28 February 2021.

Fund name	Engagement summary	Comments
Apollo Total Return Fund	<p>Total Engagements: 31</p> <ul style="list-style-type: none"> • Environmental: 7 • Social: 5 • Governance: 5 • All: 11 • Other: 3 	<p>Apollo's activities are consistent with their ESG policies. ESG engagements are managed by the portfolio management team, with 'Green teams' in each asset class responsible for escalating ESG issues to the ESG Steering Committee.</p> <p>Apollo provided detailed examples whereby they engaged on both climate change policies and diversity issues with holdings in the portfolio. Over time there could be more clarity given how these link with the ESG risks identified with each issuer in the due diligence phase.</p>
BlackRock Market Advantage Strategy Fund	<p>Total Engagements: 1,300*</p> <ul style="list-style-type: none"> • Environmental: 798* • Social: 600* • Governance: 1,174* <p>*Engagements include multiple company meetings during the year with the same company. Most engagements cover multiple topics; hence the totals of each topic area do not sum to the 'Total Engagements' figure.</p>	<p>BlackRock's activities are consistent with their ESG policies. BlackRock advise that their Investment Stewardship team engages with companies to provide feedback on their practices and inform their voting including focussing on ESG considerations where there may be a long-term impact for these companies.</p> <p>While BlackRock consider ESG in their engagements and make use of key performance indicators, there is no evidence of how these are quantified.</p>
CBRE UK Osiris Property Fund	<p>As the Fund is in its wind down phase, following termination in March 2020, CBRE were unable to provide details of engagement during this period.</p> <p>CBRE have conducted high-level analysis to understand the level of engagement across the current portfolio. CBRE believe most of the portfolio is currently considered to be 'Engaged' (60%), with a large proportion 'Improving' (30%) and the remainder deemed to have ESG 'Integrated' (10%).</p>	<p>The Fund invests in underlying funds which in turn invest directly in real estate where the majority of properties are occupied by a tenant who has discretion over day-to-day management of the property.</p> <p>Therefore, CBRE continue to look to engage with underlying funds on their ESG strategies.</p>

- **LGIM Equity Fund Range**
- **LGIM LDI Fund Range**
- **LGIM Diversified Fund**
- **LGIM Real Estate Fund**

LGIM were unable to provide details of fund specific engagements during this period. Isio are working with LGIM to find ways of improving their engagement reporting.

LGIM were able to confirm that over 2020 they held 891 engagements with 665 companies across their total fund ranges, with climate change being the most frequently discussed topic. This is relative to 739 engagements with 493 companies in 2019.

LGIM regularly monitor their portfolio holdings and where engagements are unsuccessful, the team will assess where problems arose and new approaches to be employed. LGIM also engage with regulators, governments, and other industry participants to address long-term structural issues.

Voting (for equity/multi asset funds only)

As the Plan invests via fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 28 February 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Comments
BlackRock Market Advantage Strategy Fund	Eligible Proposals: 2,527 Proposals Voted: 92.8% For Votes: 85.1% Against Votes: 6.8% Abstained Votes: 0.5% Withhold Votes: 0.4%	Ashmore Group Plc (16/10/2020) – BlackRock voted against the re-election of Clive Adamson as Director because they viewed the compensation package was not adequately aligned with performance and/or peers.	BlackRock voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.
LGIM UK Equity Index	Eligible Proposals: 12,574 Proposals Voted: 100.0% For Votes ¹ : 92.9% Against Votes ¹ : 7.1% Abstained Votes ¹ : 0.0%	SIG plc (09/07/2020) – LGIM voted against the approval of a one-off payment to the interim CEO (Steve Francis). LGIM do not generally support one-off payments, given they believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility negating the need for one-off payments.	LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.
LGIM North America Equity Index	Eligible Proposals: 9,495 Proposals Voted: 100.0% For Votes ¹ : 71.8% Against Votes ¹ : 28.2 % Abstained Votes ¹ : 0.0%	ExxonMobil (27/05/2020) – LGIM voted against the election of Director Darren Woods. In June 2019, under their annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that they will be removing ExxonMobil from their Future World fund range and will be voting against the chair of the board. Ahead of the company's	LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.

		<p>annual general meeting in May 2020, LGIM also announced they will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.</p>	
<p>LGIM North America Equity Index – GBP Hedged</p>	<p>Eligible Proposals: 9,495 Proposals Voted: 100.0% For Votes¹: 71.8% Against Votes¹: 28.2 % Abstained Votes¹: 0.0%</p>	<p>The Procter and Gamble Company (13/10/2020) – LGIM voted in favour of producing a report on the company's effort to eliminate deforestation. As Procter and Gamble use both forest pulp and palm oil as raw materials within its household goods products, LGIM engaged with the company to hear its response to the concerns raised and the requests raised in the resolution. LGIM spoke to representatives from the proponent of the resolution, Green Century and engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution.</p>	<p>LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.</p>
<p>LGIM Europe (ex UK) Equity Index</p>	<p>Eligible Proposals: 11,412 Proposals Voted: 99.9% For Votes¹: 84.2% Against Votes¹: 15.3% Abstained Votes¹: 0.5%</p>	<p>Lagardère (05/05/2020) – A fellow investor (which owned 16% of the share capital at the time of engagement) proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments). LGIM voted in favour of five of the proposed board candidates and voted out five of the incumbent Lagardère board directors. LGIM engages with companies on their</p>	<p>LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.</p>

		strategies, any lack of challenge to these, and with governance concerns. LGIM believe the company strategy had not been value-enhancing and the governance structure of the company was not allowing the board to challenge management on this.	
LGIM Europe (ex UK) Equity Index – GBP Hedged	Eligible Proposals: 11,412 Proposals Voted: 99.9% For Votes ¹ : 84.2% Against Votes ¹ : 15.3% Abstained Votes ¹ : 0.5%	Please see Lagardère vote detailed in the row above.	LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.
LGIM Japan Equity Index	Eligible Proposals: 6,518 Proposals Voted: 100.0% For Votes ¹ : 86.1% Against Votes ¹ : 13.9% Abstained Votes ¹ : 0.0%	Fast Retailing Co. Limited (26/11/2020) – LGIM voted against the election of Yanai Tadashi as Director. LGIM has advocated for an increase in the number of women on boards, at the executive level and below. On a global level, LGIM believe that every board should have at least one female director. In 2020, LGIM announced that they would vote against the chair of the nomination committee or the most senior board member for companies included in the TOPIX100 where these standards were not upheld. LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, to signal that the company needed to act on this issue.	LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.
LGIM Japan Equity Index – GBP Hedged	Eligible Proposals: 6,518 Proposals Voted: 100.0% For Votes: 86.1% Against Votes: 13.9% Abstained Votes: 0.0%	Olympus Corporation (30/07/2020) – LGIM voted against the election of Yasuo Takeuchi as Director based on the same reasons stated in the row above.	LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.
LGIM Asia Pacific (ex Japan) Developed Equity Index	Eligible Proposals: 3,774 Proposals Voted: 100.0% For Votes ¹ : 74.2% Against Votes ¹ : 25.8% Abstained Votes ¹ : 0.0%	Whitehaven Coal (22/11/2020) – LGIM voted for the approval of capital protection measures, asking the Company for a report on	LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which

		<p>the potential wind-down of coal operations with the potential to return increasing amounts of capital to shareholders. LGIM has advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.</p>	<p>were in line with their voting policies.</p>
<p>LGIM Asia Pacific (ex Japan) Developed Equity Index – GBP Hedged</p>	<p>Eligible Proposals: 3,774 Proposals Voted: 100.0% For Votes¹: 74.2% Against Votes¹: 25.8% Abstained Votes¹: 0.0%</p>	<p>Qantas Airways Limited (23/10/2020) – LGIM voted against the approval of Alan Joyce's participation in the Long-Term Incentive Plan, whilst supporting the approval of the Remuneration Report. LGIM supported the approval of the Remuneration Report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan ("LTIP"), in light of the pandemic. However, LGIM had concerns as to the quantum of the 2021 LTIP grant that remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is perceived as against best practice. LGIM therefore voted against this resolution to signal their concerns.</p>	<p>LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.</p>
<p>LGIM Global Emerging Markets Equity Index</p>	<p>Eligible Proposals: 44,755 Proposals Voted: 99.8% For Votes¹: 82.6% Against Votes¹: 16.1% Abstained Votes¹: 1.4%</p>	<p>Samsung Electronics (17/03/2021) – LGIM voted against the election of three board members. LGIM were not satisfied with the independence of the company board and that ties from the former Vice Chairman had been sufficiently severed. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively</p>	<p>LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.</p>

		<p>failed to remove criminally convicted directors from the board.</p> <p>Please note, the example provided was voted on outside of the 01/03/2020 to 28/02/2021 reporting period.</p>	
LGIM Global Real Estate Equity Index	<p>Eligible Proposals: 4,121 Proposals Voted: 99.8% For Votes¹: 82.8% Against Votes¹: 16.8% Abstained Votes¹: 0.4%</p>	<p>There were no examples provided of significant votes made in relation to the securities held by this fund during the reporting period.</p>	<p>LGIM voted on a high proportion of eligible proposals.</p>
LGIM Diversified Fund	<p>Eligible Proposals: 115,604 Proposals Voted: 99.0% For Votes¹: 81.7% Against Votes¹: 17.7% Abstained Votes¹: 0.6%</p>	<p>Walgreens Boots Alliance, Inc. (28/01/2021) – LGIM voted against the ratification of a named executive officer's compensation. LGIM do not generally support the application of retrospective changes to performance conditions. LGIM believe that although the company was impacted by COVID-19, many of its shops remained open as they were considered an essential retailer. LGIM were of the view that the company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately \$3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.</p>	<p>LGIM voted on a high proportion of eligible proposals and provided a clear rationale for any significant votes, which were in line with their voting policies.</p>

¹ As a percentage of the resolutions on which LGIM voted
Totals may not sum due to rounding.

