Homestyle 2007 Pension Scheme

July 2021

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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 schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that 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 Scheme 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

The SIP can be found online at the web address https://members.pensionpal.co.uk/Homestyle2007Pensions.

Implementation Report

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

- actions the Scheme 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 Scheme 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 of the invested assets covering the reporting year up to 2020 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- Following the decision by the Trustee and Sponsor to invest 100% of Scheme assets into a Buy-in Policy with Aviva, the entirety of the Scheme's invested assets were sold down in Q3 2020.
- The Scheme fully disinvested from its ARB, DGF and LDI holdings with Schroders, L&G and M&G over Q3 2020 with the proceeds transferred to Aviva for the buy-in.

Implementation Statement

This report demonstrates that Homestyle 2007 Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Date: July 2021

Managing risks and policy actions

The risks noted below reflects the policies in the updated SIP following the agreement to fully transition all Scheme assets to Aviva.

Risk / Policy	Definition	Actions and details on changes to policy
Mismatching	The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors	The Scheme insures member benefits via the buy-in policy.
Liquidity	The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities	The Scheme minimises the potential effect of liquidity shortfall via the buy-in policy.
Diversification	The failure to spread investment risk	The Trustee and their advisers considered this risk (and potential counterparty risk) when deciding on which insurer to use to transact the buy-in policy.
Covenant	The possibility of failure of the Scheme's Sponsoring employer	The nature of the buy-in policy now largely mitigates against the impact of a change in the Sponsor covenant. Reliance on the Sponsor covenant will only be removed entirely when the Scheme transitions to buy-out.
Operational	The risk of fraud, poor advice, or acts of negligence	The Trustee have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received. The Trustee also took into account operational risks in their decision making process for selecting an insurer for the buy-in policy.

Current ESG policy and approach

ESG as a financially material risk

The Scheme's liabilities are insured via the buy-in policy therefore ESG risks are not applicable. The rest of this statement details a summary of the managers (prior to the execution of the buy-in), their actions for engagement and details of their voting activity over the period.

Engagement

As the Scheme invested via fund managers for the majority of the year the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to the end of 2020.

Fund name	Engagement summary	Commentary
Schroders Diversified Growth Fund	Total engagements: 1555 Environmental: 186 Social: 268 Governance: 1101	**Polymetal –** Schroders wrote to the company as it had been identified as one of 36 companies across the FTSE 350 not compliant with the reporting requirements of the UK Modern Slavery Act. The objective of the engagement was to encourage companies to make the required changes to their Modern Slavery statements. Schroders plan to monitor changes over the next 12 months and review their progress.
L&G Dynamic Diversified Fund	No data available	LGIM were unable to provide engagement data in relation to the Scheme's diversified growth mandate for the 12 months to 31 December 2020. LGIM leverages the wider capabilities of the global firm to engage with companies. The team also regularly engages with regulators, governments, and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.

M&G Alpha Opportunities Fund	Total engagements: 9 Environmental: 5 Governance: 5 Please note some engagements cover multiple areas.	**Iceland Foods –** M&G met with the company to engage on the update of policies and pushed for Iceland Foods to consider disclosing timebound commitments, reporting to MSCI (to get an ESG rating) and to consider which of the UN SDGs they would best align to. **EDF –** M&G held a call with the company to improve understanding of the Brazilian hydro generation issues raised in the annual report.
L&G LDI Funds	No data available	LGIM were unable to provide engagement data in relation to the Scheme's LDI mandate for the 12 months to 31 December 2020. LGIM leverages the wider capabilities of the global firm to engage with companies. The team also regularly engages with regulators, governments, and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.

Voting (for equity/multi asset funds only)

As the Scheme invested via fund managers for the majority of the year the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 2020. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Schroders Diversified Growth Fund	Resolutions voted : 19533 Resolutions voted for: 17951 Resolutions voted against management: 1524 Resolutions abstained from: 58	**Mediaset SpA –** Schroders voted against the amendment of bylaws as the amendment would lead to a decrease in minority shareholder rights. **Investec Plc –** Schroders voted against the approval of matters relating to the demerger of Ninety One from Investec Group and against the approval scheme of arrangement as Schroders do not believe it is in shareholders' best interests.	Schroders policy is to vote on all resolutions at all AGMs/EGMs globally except where there are restrictions that make it onerous or expensive to vote compared to the benefits of doing so. The sustainable investment team assesses both management and shareholder proposals on a case-by-case basis to ensure complete understanding of the company, its circumstances the progress of associated engagements and local standards and regulation.
L&G Dynamic Diversified Fund	Meetings eligible to vote at: 7887 Resolutions eligible to vote for: 83262 Resolutions voted for: 83179 Resolutions voted with management: 70015 Resolutions voted against management: 12689 Resolutions abstained from: 566	**Whitehaven Coal –** LGIM voted for the shareholders to ask the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. LGIM believes that the role of coal in the future energy mix is increasingly uncertain and advocated for a 'managed decline' for fossil fuel companies, with capital being	All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and the manager do not outsource

		returned to shareholders instead of spent on growth projects that risk becoming stranded assets.	any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, the manager have put in place a custom voting policy with specific voting instructions.