

The Cronite Pension Scheme

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statements of Investment Principles (SIP) dated September 2020 and September 2021 have been implemented. The SIPs provide further background details on investment arrangements.

This Statement covers the period 6 April 2021 to 5 April 2022.

Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
Risk-controlled multi-asset	LGIM Dynamic Diversified Fund	50%
Corporate Bonds	M&G All Stocks Corporate Bond Fund	20%
Liability-Driven Investment ('LDI')	LGIM Matching Core Funds	30%
Total		100%

Strategy Review

At the start of the year, the Trustees' long-term investment policy was to invest 25% of the total assets in a risk-controlled multi-asset fund, 25% in an absolute return fund, 20% in corporate bonds, and 30% in an LDI solution. The risk-controlled multi-asset fund and LDI solution were managed by LGIM, whilst M&G managed the absolute return and corporate bond funds.

Following an Investment Strategy Review dated 2 November 2020, which was prepared by Broadstone Pensions Limited ('Broadstone'), the Scheme's Investment Consultant, the Trustees implemented a new investment strategy in April 2021. This updated investment strategy moved the 25% of total assets targeted in the absolute return fund held with M&G into the risk-controlled multi-asset fund held with LGIM.

The Trustees' current investment policy is shown above, and this strategy change is reflected in the Trustees' latest SIP, dated September 2021. As the new strategy has remained with the same investment managers, LGIM and M&G, the Scheme's reporting, investment arrangements and liquidity processes have remained unchanged.

Scheme Governance

The Trustee board is responsible for making investment decisions, and seeks advice as appropriate from Broadstone, as the Trustees' investment consultant.

The Trustees do not actively obtain the views of the membership of the Scheme to help form their policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

There were no changes to the objectives put in place for Broadstone which were last reviewed in February 2020. The Trustees are due to formally review these objectives by February 2023, or earlier.

There were no changes to the investment management agreements with LGIM and M&G during the year.

Statement of Investment Principles

The Trustees last reviewed the SIP in September 2021, which was updated to account for the change in investment strategy described above.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year.

Policy on financially and non-financially material considerations

Trustees' Policy: The Trustees have given each individual fund manager their full discretion when evaluating ESG issues and in exercising rights, engagement activities¹, and stewardship obligations attached to the Scheme's investments. However, the extent to which these factors are taken into account by the fund managers in the selection, retention and realisation of investments is considered by the Trustees as part of the process of selecting organisations with which to invest. The Trustees reserve the right to request from the manager information regarding their actions.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code, and the investment managers all have stated corporate governance policies which comply with these principles.

The Trustees do not take any non-financial² matters into account in the selection, retention and realisation of investments.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

¹ "Engagement activities" include the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters. "Relevant matters" includes (but is not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance. "Relevant persons" includes (but is not limited to) an issuer of debt or equity, an investment manager or another holder of debt or equity.

² "Non-financial matters" means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the trust scheme.

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

The Trustees have access to updates on governance and engagement activities by the investment managers, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers, given they are investing in pooled funds.

A summary of the Trustees’ views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Risk-controlled multi-asset	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Corporate bonds	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
LDI	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Policy on the exercise of voting rights and engagement activities

Trustees’ Policy: *The Scheme's voting rights are exercised by each investment manager in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.*

There have been no changes to the Trustees’ policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme’s investments.

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager.

The Trustees' policy is to delegate the exercise of voting rights to their managers, but to review the voting behaviour of the managers annually to check that they are comfortable with the decisions taken by the managers and their approach generally. Having reviewed the information summarised in this statement, the Trustees are satisfied with the way in which the managers are exercising voting rights.

The Trustees have delegated engagement activities to their investment managers, and each investment manager reports quarterly to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

To complement this monitoring, the Trustees receive stewardship and governance reports from the investment managers on a quarterly basis.

Within the current investment arrangements, the LGIM Dynamic Diversified Fund and the M&G Prudential Absolute Return Fund have voting rights attached to the underlying holdings.

A summary of the votes made by the funds from 1 April 2021 to 31 March 2022 on behalf of the Trustees (where the investment owns equities) is provided in the table below. The analysis is based on the latest information available from each investment manager.

Fund	Third Party Proxy Policy Used	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
LGIM Dynamic Diversified Fund	No – in house but cast votes using ISS	71,508	80%	19%	1%
M&G Prudential Absolute Return Fund	No – in house but cast votes using ISS	14,835	94%	5%	1%

The Trustees have requested details of the significant votes made on behalf of the Trustees (where voting rights are attached) and engagements made on behalf of the Trustees (where the manager has the opportunity to engage with companies). Details of these significant votes and engagements are provided below:

- LGIM** put forward a shareholder proposal to Moderna requesting that the company publicly disclose how its receipt of government financial support for the development and manufacture of a COVID-19 vaccine is being considered when making decisions that affect access to such products, such as setting prices. The company is contesting the inclusion of the proposal on its agenda at the 2022 Annual General Meeting and have indicated that they will publish such a report prior to the Annual General Meeting. LGIM are currently engaging with the company.
- M&G** met with miner Rio Tinto on a number of occasions, as part of its ongoing work to support the company in developing its decarbonisation strategy and disclosure, both individually and through the Climate Action 100+ industry working group. One of the main focuses in these discussions has been around scope 3 carbon emission measurement and reporting, as part of an ambition to reduce carbon emissions and eventually get to 'net-zero'. As part of M&G's engagement with the company, M&G have been encouraging Rio Tinto's management to highlight the efforts they are making to reduce scope 1 and 2 carbon emissions and disclose the areas of scope 3 carbon emissions and developments which are

possible at this stage. This includes details and metrics around partnerships with customers, the proportion of customers that have carbon emission reduction targets in place and outlining an engagement programme to broaden this out in the future.

The Trustees are comfortable with each investment manager’s approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustees also consider an investment manager’s policies on stewardship and engagement when selecting and reviewing investment managers.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall ‘score’ which represents how well ESG metrics are incorporated into managers’ investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from ‘A+’ to ‘E’. The latest UNPRI scores of the investment managers are outlined in the table below.

Manager	UNPRI Score
LGIM	A+
M&G	A+

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from the investment managers, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed: _____

Date: _____

On behalf of the Trustees of The Cronite Pension Scheme