UMECO PLC PENSION & LIFE ASSURANCE PLAN (“THE PLAN”)
IMPLEMENTATION STATEMENT
Financial Year Ending 31st March 2022

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (‘SIP’) produced by the Trustee has been followed during the year to 31 March 2022. This statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

We can confirm that all policies in the SIP have been followed in the year to 31 March 2022.

Trustee Investment Objectives

The objectives set out here, and the risks and other factors referenced are those that the Trustee determines to be financially material considerations in relation to the Plan.

DB Section

The Trustee’s primary objectives are to invest the Plan’s assets in the best interests of the members and beneficiaries and pay due regard to the interest of the Company on the size and incidence of contribution payments, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of secondary objectives to help guide it in its strategic management of the assets and control of the various risks to which the Plan is exposed.

The secondary objectives are as follows:

- to restore the Plan’s funding position on an ongoing (i.e. Technical Provisions) basis to at least 100% and to achieve over the long-term, a return on the Plan’s assets which is consistent with the assumptions made by the Plan Actuary in determining the funding of the Plan; and
- to meet its obligation to the beneficiaries of the Plan, including ensuring that sufficient liquid assets are available to meet benefit payments as they fall due.

Given the nature of the liabilities, the investment time horizon of the Plan is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Plan’s investment horizon significantly.

The Trustee understands, following discussions with the Company, that the Company is willing to accept some degree of volatility in its contribution requirements in order to reduce the long-term cost of the Plan’s benefits.

DC Section

The Trustee recognises that members have differing investment needs and that these may change during the course of members’ working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee’s objective is therefore to make available a range of investment options for this purpose. The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such, a default option is available.

The Trustee undertakes to review the Plan's fund choices offered to members and the investment manager arrangements on a regular basis.

Review of the SIP

During the year to 31 March 2022, the Trustee reviewed the Plan's hedging arrangements. Following the review, the Trustee agreed to increase the interest rate and inflation hedge ratios from 75% as a proportion of funded liabilities to 100% as a proportion of total Technical Provision liabilities.

Further additions were made to the SIP to reflect the appointment of ndapt ltd as the Trustee, replacing Solvay Pension Trustee Limited.

Assessment of how the policies in the SIP have been followed for the year to 31 March 2022

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP. References to the relevant sections of the SIP are included which set out in detail the policies summarised below.

	Requirement	Relevant SIP Section	Summary of Policy	In the year to 31 March 2022
1	Securing compliance with the legal requirements about choosing investments	2.1, 2.6	*In considering the appropriate investments for the Plan, the Trustee has obtained and considered the written advice of Mercer Limited, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).*	The Trustee receives written suitability advice from Mercer Limited relating to its decisions on investments. In the year to 31 March 2022 no new manager mandates were entered into.
2	Kinds of investments to be held	2.4, 3.7	*For the DB Section, the Plan is invested in Diversified Growth Funds, corporate bonds and a Liability Driven Investment portfolio.* *There is a role for both active and passive management. By employing both the Trustee aims to take advantage of active management where it believes it is likely to lead to outperformance net of fees, while using passive management in other areas or alongside active management to control overall manager risk and to manage overall fee levels.* *Decisions on segregated vs pooled investments are taken based on the particular circumstances, including the available vehicle, investment restrictions contained in pooled funds, the need for and availability of an independent custodian, ease of administration and portability of underlying investments. Investment exposure is currently obtained via pooled funds.* *For the DC Section, the Trustee has selected funds for the members' contributions to be invested in that cater for different risk appetites of members. It is the Trustee's policy to offer both active and passive management options to members where appropriate, depending on asset class.*	The Trustee reviewed its investment strategy for the DB Section over the Plan year and agreed to implement new liability hedge ratios with LGIM. A review of the DC Section investments has also been scheduled during 2022.

3	The balance between different kinds of investments	2.5, 3.2	*For the DB Section, the Trustee, based on expert advice, has agreed an investment strategy that is consistent with its funding and investment objectives. It is generally accepted that a portfolio as outlined in section 2.5 of the SIP can provide an appropriate balance of risk and return consistent with the principles set out in the SIP.* *For the DC Section, the Trustee makes available a range of funds, with the aim of providing appropriate strategic choices for members' different saving objectives, risk profiles and time horizons.*	The Trustee determined, following receipt of expert advice, there was scope to reduce risk in the investment strategy over the year, which was implemented by increasing the exposure of liabilities hedged by the Liability Driven Investment portfolio. The Trustee intends to conduct a review of the DC arrangements, including the default option, during 2022.
4	Risks, including the ways in which risks are to be measured and managed	2.3, 3.3	*The Trustee recognises a number of risks in implementing its chosen investment strategy. Specific details on the measurement and management of each risk are outlined in Sections 2.3 and 3.3 of the SIP.* *For the DB Section, there are various risks to which any pension plan is exposed which the Trustee believes may be financially material to the Plan. The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's liabilities as well as producing more short-term volatility in the Plan's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.* *Overall, the Trustee primarily measures and manages investment risk through the investment strategy (outlined in Section 2.5) and reviews the appropriateness of this strategy on a regular basis.* *The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company and its willingness to contribute appropriately to the Plan. The financial strength of the*	The Trustee has continued to follow the policies set out in the SIP with respect to risk measurement and management. The Trustee has received analysis from Mercer on the various relevant risks. In particular, within the DB Section, target liability hedge ratios for interest rates and inflation were both increased during the Plan year.

			Company and its perceived commitment to the Plan is monitored and the Trustee would expect to reduce investment risk relative to the liabilities should either of these significantly deteriorate. *The degree of investment risk that the Trustee is willing to take also depends on other circumstances, including the financial health of the Plan, the Plan's liability profile and investment time horizon. The Trustee will monitor these with a view to altering the investment objectives, risk tolerance and/or return target and asset mix, should there be a significant change in these factors.* *For the DC Section, there are various risks which the Trustee believes may be financially material to member investments over their investment time horizon, which will vary depending upon their expected time to retirement. These include market, pension conversion, ESG, investment manager and liquidity risks.*	
5	Expected return on investments	2.7, 3.9	*For the DB Section, the Trustee expects to generate a return, over the long term, at least in line with that of the actuarial assumptions under which the Plan's funding has been agreed. It is recognised that over the short term performance may deviate significantly from the long term target.* *For the DC Section, the funds available are expected to provide an investment return relative to the level of risk associated with it. The Trustee believes that the range of funds offered should provide a range of potential returns that are suitable for the membership as a whole. Each fund has a benchmark or target return which is viewed as the expected return.* *Return on the investments, including the individual manager mandates, is monitored on a quarterly basis.*	The investment performance report is reviewed by the Trustee on a quarterly basis alongside, for the DB Section, an assessment of funding level progress provided by the Plan Actuary. The investment performance report includes how each investment manager is delivering against its specific mandate and an assessment of future prospects through Mercer's manager research ratings.

6	Realisation of investments	2.9, 3.8, SIA	*For the DB Section, the selection, retention and realisation of assets is carried out in a way consistent with maintaining the Plan's overall strategic allocation and consistent with the overall principles set out in the SIP.* *The Trustee has implemented a policy to manage the Plan's net cash in/out flow and details are contained in the SIA document. Within individual mandates, the investment manager(s) have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments subject to the relevant appointment documentation and pooled fund prospectuses.* *In addition, the Trustee monitors the allocation between the appointed manager(s) and between asset classes and mandates and will rebalance (or delegate this to individual investment manager(s)) as set out in the SIA document.* *For the DC Section, when selecting assets the Trustee considers the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand. As in the DB Section, the investment manager(s) have discretion in the timing of realisations of underlying securities.*	The Trustee, with advice from Mercer, has implemented a streamlined cashflow policy to assist with the realisation of investments for cashflow purposes in the DB Section. This includes provision of template disinvestment instructions to the Plan's administrator and delegation of authority to the administrator to place disinvestments on behalf of the Trustee (within set thresholds).
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	2.1, 3.3	*The Trustee recognises the various risks to which pension plans are exposed and that these may be financially material for the Plan. The Trustee has therefore set a policy for managing these risks over the life of the Plan.* *The Trustee considers Environmental, social and governance (ESG) factors to be financially material and recognises that these factors have the ability to impact the financial performance of the Plan's investments, over its lifetime. The Trustee recognises that it is in the Plan's best interest that*	The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from Mercer. The general ratings for all managers continued to be high during the year and ESG ratings were in line with or above the peer group medians.

			these factors are taken into account within the investment process. *The Trustee considers, amongst other factors, how ESG, climate change and stewardship is integrated within investment processes in appointing, monitoring and withdrawing from investment managers.*	
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	5	*"Non-financial matters" (where non-financial matters includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments. The Trustee would review this policy in response to significant member demand.*	No action in this area was required over the year.
9	The exercise of the rights (including voting rights) attaching to the investments And Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	4	*Investment manager(s) are expected and encouraged to undertake engagement activities on relevant matters including ESG factors (including climate change considerations) and to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee engages with existing investment manager(s) on these issues through (amongst other things) meetings and periodic correspondence.* *The Trustee will not consider the ESG policies of Additional Voluntary Contributions provider(s) and associated investment funds as these are a small proportion of total assets.*	The Trustee has delegated voting rights to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy. The Trustee does not use the direct services of a proxy voter. Further information on key voting and engagement activity carried out by the Plan's investment managers over the last 12 months is set out in the next section of this statement, as is confirmation from the investment managers that they continue to adhere to relevant best practice.
10	How the arrangement with the asset manager incentivises the asset manager to align its investment	6	*As the Trustee invests in pooled funds predominantly, there is limited scope to directly influence the strategy pursued by the investment managers. However, the Trustee appoints investment managers based on their capabilities and hence their perceived likelihood of*	Over the year, the Trustee has monitored the ongoing suitability of the appointed investment managers. Any change in assessment by the Trustee's investment advisor for the investment managers' capabilities would be discussed

	strategy and decisions with the trustees policies mentioned in sub-paragraph (b) of the legislation		*achieving their return and risk targets.* *Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance, and in relation to passive management suitable levels of "tracking error" against a relevant benchmark.* *For each appointment, retention is dependent upon the Trustee having ongoing confidence that the investment manager will achieve the mandated investment objective. The Trustee makes this assessment taking into account various factors which includes performance to date as well as an assessment of future prospects.* *Investment managers are therefore incentivised both to achieve the mandated objectives, consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages investment managers to take a suitably long term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.* *If the investment objective for a particular fund changes, or if other factors change that could have an impact on the manager's ability to meet its objectives, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.*	and any action agreed in a timely manner. No changes were made to investment manager appointments during the Plan year.
11	How the arrangement incentivises the asset manager to make	6	*The Trustee regularly meets with the Plan's managers and challenges decisions made to try to ensure the best long term performance over the medium to long term. Managers are aware that their continued*	The investments held within the Plan continued to perform satisfactorily against their respective benchmarks over the Plan year. The Trustee also balances short-term performance

	decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term. And How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies mentioned in sub-paragraph (b) of the legislation		*appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.* *The Trustee reviews investment manager performance quarterly via formal reporting. The Trustee reviews absolute performance, relative performance vs benchmark and the manager's target (over the relevant time period) on a net of fees basis. The Trustee's focus is on long-term performance but short-term performance is also reviewed.*	against long-term performance in these considerations. The Trustee has continued to receive quarterly reporting over the year, including the net performance of the investment managers, over the 3 month, 1 year and 3 year periods to the quarter end and since inception of each mandate.
12	How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or	6	*The Trustee has not historically monitored investment managers' ongoing transaction costs explicitly but has measured these implicitly through ongoing performance assessments which are net of these costs. The Trustee will now seek explicit reporting on ongoing costs for all appointed managers.*	The Trustee reviewed the portfolio turnover costs of the Plan's managers in November 2021 and concluded that they were in line with expectations.

	turnover range.			
13	The duration of the arrangement with the asset manager	6	*The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at relatively short notice.*	Over the Plan year, no new investment managers were appointed but the previous appointments were made in line with the Plan's policy and with a view to the mandates forming part of the Plan's long-term investment arrangements.

Assessment of voting, stewardship and engagement activity for the year to 31 March 2022

The following section summarises the information reported by the Plan's investment managers to the Trustee in respect of their voting, stewardship and engagement activities during the year. Only information for managers to which the Plan maintains a long-term strategic allocation is shown. Voting information is not provided for bond and/or cash holdings given the nature of the underlying investments. Engagement activity is provided at a firm-wide level whilst 12 month voting activity is for the specific mandates in which the Plan was invested at 31 March 2022.

In line with the SIP, the voting and engagement activities of AVC investment managers is not monitored as these are a small proportion of total assets.

Engagement

Ruffer (DB Section)

- Ruffer's engagement activities are usually conducted jointly by the ESG representative and the research analyst, with support from the responsible investment team. They consider this collaborative approach to engagement to be particularly powerful. It ensures detailed, well-informed discussions with companies on issues they deem to be material, helping to build relationships that enable to push for significant change.
- They engage in several matters like, for example, supporting the first say on climate vote or engaging on a company's response to the covid-19 pandemic.

LGIM (DB and DC Sections)

- LGIM has established a fully integrated framework for responsible investing to strengthen long-term returns. Its framework is based on stewardship with impact and active research across asset classes. These activities enable it to deliver responsible investment solutions to clients and conduct engagement with the aim of driving positive change.
- In the face of looming challenges like climate change, ageing populations or technological disruption, LGIM believes a different approach to managing capital is required - where ESG impact is considered alongside the traditional metrics of risk and return.
- Evolving its capabilities to assess and engage with companies on ESG criteria is a vital objective for LGIM. This activity will be crucial to determine those that survive and thrive as change accelerates.

Voting Activity (DB Section)

Ruffer (Absolute Return)

Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS). Ruffer has developed its own internal voting guidelines, however it takes into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer is cognisant of proxy advisers' voting recommendations, it does not delegate or outsource its stewardship activities when deciding how to vote on clients' shares.

Ruffer defined 'significant votes' as those that it thinks will be of particular interest to its clients. In most cases, these are when they form part of continuing engagement with the company and/or Ruffer has held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and Ruffer's internal voting guidelines.

Key votes undertaken over the prior year are summarised below:

- There have been 1,307 votable proposals over the year, which Ruffer has voted on behalf of the Trustee.
- Ruffer voted with management on 91.7% of the proposals, against management on 6.4% and abstaining on 1.8%.

Significant vote example:

- Royal Dutch Shell – A vote "for" was cast on the voting on a management resolution relating to the company's climate transition plan as it aimed to increase the transparency of the company's climate transition planning and outcomes.

LGIM (DGF)

LGIM's Investment Stewardship team uses Institutional Shareholder Services (ISS)'s 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

Key votes undertaken over the prior year are summarised below:

- There have been 90,252 votable proposals over the year and LGIM has voted on 98.8% of these on behalf of the Trustee.
- LGIM voted with management on 78.7% of the proposals, against management on 20.5% and abstaining on 0.8%.

Significant vote example:

- NextEra Energy, Inc. – A vote “against” was cast on the election of Director James L. Robo since LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair.

Voting Activity (DC Section)

LGIM (Multi-Asset (formerly Consensus) Fund)

Key votes undertaken over the prior year are summarised below:

- There have been 88,741 votable proposals over the year and LGIM has voted on 99.8% of these on behalf of the Trustee.
- LGIM voted with management on 78.7% of the proposals, against management on 20.5% and abstained on 0.8%.

Significant vote example:

- Apple Inc. - A vote “for” was cast approving a report on Civil Rights Audit as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.