

St Ann's Hospice 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' Statement of Investment Principles (SIP) dated September 2020 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 April 2020 to 31 March 2021.

Investment managers and funds in use

Asset Class	Investment Manager	Benchmark Weighting
Multi-asset	Smith & Williamson Bespoke Mandate	50.0%
Multi-asset	Investec Bespoke Mandate	50.0%
Total		100.0%

Strategy Review

There have been no changes to the investment managers or target asset allocation over the year.

Scheme Governance

The Trustees are responsible for making investment decisions and seek advice from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

There were also no changes to the investment management agreements with Smith & Williamson and Investec during the year.

Statement of Investment Principles

The Trustees last reviewed the Statement of Investment Principles (SIP) in September 2020, which was updated to comply with additional legislative requirements for information surrounding ESG into SIPs.

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.

In addition, the Trustees of the Hospice have prohibited direct investment in tobacco companies.

Policy for taking into account financially material ESG considerations

The Trustees' reviewed their policies on taking into account financially material considerations, and the policy was updated in September 2020. The updated policy is outlined below:

Trustees' Policy: *The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect their investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees assess the ESG integration capability of their investment managers.*

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

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.

This position is monitored periodically. As part of the monitoring process, 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
Multi-asset	Active	The Trustees expect the investment managers 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 managers to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.

Policy for taking into account non-financial ESG considerations

The Trustees' reviewed their policy on taking into account non-financial ESG considerations, and the policy was updated in September 2020. The updated policy is outlined below:

Trustees' Policy: *Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect their investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.*

Policy on the exercise of voting rights and engagement activities

The Trustees have reviewed their policy relating to voting rights and engagement activities, and this was updated in the September 2020 SIP. The updated policy is outlined below:

Trustees' Policy: *The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.*

The Trustees currently invest in bespoke mandates with Smith & Williamson and Investec. All voting activities have been delegated to the investment managers, as the Trustees do not have the administrative mechanism to cast votes on the underlying holdings.

The Trustees have employed Broadstone to assist them in monitoring the voting and engagement activity of their investment managers. The Trustees, with the assistance of Broadstone, concluded that the voting and engagement activity of their investment managers is in line with their policy on voting and engagement.

Within the current investment arrangements, both of the Scheme's mandates contain equity holdings, and therefore have voting rights attached to these underlying equities.

Both of the investment managers use the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third party proxy voters used are confirmed in the table below.

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

A summary of the votes made by the investment managers on behalf of the Trustees (where the investment owns equities) is provided in the table below, based on the latest information available from each investment manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Manager uses own voting policy	Resolutions Voted On ¹	Resolutions Voted:		
					For	Against	Abstained
Smith & Williamson	Segregated	Glass Lewis	Yes	10,496	90%	3%	7%
Investec	Segregated	ISS	Yes	2,578	97%	3%	0% ²

The votes above are at the company level, rather than being scheme or fund specific. The Trustees will work with their investment managers to obtain this information in future years.

The notable engagement activities of the investment managers are provided below:

- Smith & Williamson** engaged with Airbus regarding matters relating to its submission of executive and non-executive director actions over the year for shareholder approval, which is required under Dutch legislation. Airbus came under fire when it submitted the actions of executive and non-executive directors as it had previously announced that it had agreed a settlement with French, British and US authorities following investigations into allegations of bribery and corruption. Smith & Williamson shared their concerns that ratifying the actions of these directors would not allow for proper oversight and accountability on previous allegations of illegal activities. Airbus confirmed that the previous management team were duly punished for their misconduct and there had since been a complete overhaul of the board. They also explained measures to ensure that the same could not happen again so shareholders would be better protected in future, and have issued a new code of conduct with practical guidance. Smith & Williamson found the group's explanations were reasonable and addressed their concerns. They were encouraged by the way they had engaged with them and with other minority shareholders but did not amend their vote.
- Investec** supported a shareholder resolution for Apple to deliver a report on freedom of expression and access to information policies, contrary to the board's recommendation. This called for the company to publish a report on its policies on freedom of expression and access to information, including whether it has publicly committed to respect freedom of expression as a human right. This proposal appeared to relate in particular to China where Apple has acceded to a number of official requests that run contrary to the defence of freedom of expression and access of information.

The Trustees are comfortable with the investment managers' 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 the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

¹ Resolution summary figures cover the annual period 1 January 2020 to 31 December 2020

² Abstention figures not provided

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 regular basis to ensure the investment objectives set out in their SIP are being met.

Signed: _____

Date: _____

On behalf of the Trustees of the St Ann's Hospice Pension Scheme