

THE WIGGINS TEAPE PENSION SCHEME
IMPLEMENTATION STATEMENT - DECEMBER 2021

1. Introduction

This statement sets out how, and the extent to which, the trustees' policy on Environmental, Social and Governance ("ESG"), Stewardship and Climate Change and the Investment Manager arrangements in the Statement of Investment Principles ("SIP") have been followed during the year to 31 December 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and guidance published by the Pensions Regulator.

2. Statement of Investment Principles

Investment Objectives of the Scheme

The trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The trustees' principal objective during the year to 31 December 2021 was to invest the Scheme's assets in the best interests of the members and beneficiaries. The trustees consider that their broad objective is to invest the Scheme's assets in such a manner that a buy-out can be achieved in due course.

As a key step towards achieving this the trustees, following consultation with the Principal Employer, entered into a bulk annuity contract covering a proportion of the Scheme's pensioner members. This was completed in November 2015. The trustees now aim to secure a buy-out of the Scheme's liabilities within the next few years.

To achieve this, the following objectives were in place throughout the Scheme year:

- To invest in a way which will take limited risk against the Scheme's liabilities, and
- To achieve a modest improvement in the solvency funding level through a partial investment in corporate bonds.

Review of the SIP

There were no changes to the SIP over the year to 31 December 2021.

Assessment of the policies in the SIP applicable to the Scheme from 1 January 2021 to 31 December 2021

The information provided in this section highlights how the trustees have followed the policies in the SIP, covering the work undertaken by the trustees during the year, and longer term where relevant.

	Requirement	Policy / section of the SIP where policy can be found	In the year to 31 December 2021
1	Securing compliance with the legal requirements about choosing investments	<i>Detailed in Section 1.2 of the SIP.</i>	The Scheme's investment advisers attended all trustee meetings during the year and provided updates on Scheme performance and, where required, appropriateness of the investments used.
2	Kinds of investments to be held	<i>Detailed in Section 5 and 6 of the SIP.</i>	The Scheme's current strategy is to invest in a Buy & Maintain credit portfolio, with the balance of the assets (ex-annuities) seeking to obtain a 100% overall hedge of the expected post-insolvency liabilities.

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3	The balance between different kinds of investments	<i>Detailed in Section 5 and 6 of the SIP.</i>	The trustees are comfortable that the kinds of investments held within the Scheme remain consistent with the SIP.
4	Risks, including the ways in which risks are to be measured and managed	<i>Detailed in Section 4 of the SIP.</i>	There are various risks to which the Scheme is exposed. The primary risk upon which the trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities. The trustees monitored changes in risks and the resulting impact on the Scheme on a quarterly basis, at a minimum, during the year as part of their regular investment performance monitoring. The quarterly report monitors interest rate, inflation risk, credit risk, liquidity risk and volatility of the investment strategy relative to buy-out pricing. These reviews were provided by the Scheme's investment adviser.
5	Expected return on investments	<i>Detailed in Section 7 and Appendix 1 of the SIP.</i>	To evaluate performance, the trustees received and discussed investment performance reports on a quarterly basis. The reports presented actual performance information over 3 months, 1 year and since inception at the fund and total Scheme level. The reports also reviewed the performance of the LDI portfolio relative to the liability benchmark over the quarter and since 31 March 2017.
6	Realisation of investments	<i>Detailed in Section 5 of the SIP.</i>	Disinvestments were made from the Scheme's LDI portfolio, in line with the cashflow policy in place. £5.5m of assets were disinvested from the LDI portfolio over the year to fund pensioner payments. There were no changes to the liquidity of the assets held.
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	<i>Detailed in Section 10 and 11 of the SIP.</i>	The trustees' policy with respect to the selection, retention and appointment of investment managers was updated during the year to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018. Mercer's manager research ratings assist with due diligence and questioning of the manager during presentations to the trustees and are used in decisions around selection, retention and realisation of the manager appointment. The ratings include Mercer's assessment of BlackRock's idea generation, portfolio construction, implementation and business management, and provides an overview of the level of ESG and active ownership, the team structure and investment philosophy.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments		

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9	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies.		If the investment manager is not meeting performance objectives or targets, or the investment objectives for a mandate have changed, the trustees will review the fund appointment to ensure it remains appropriate and consistent with their wider investment objectives. No reviews were conducted and no investment changes were made during the Scheme year.
10	How the arrangement incentivises the asset manager to make 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.	<i>Detailed in Section 11 of the SIP.</i>	Mercer's manager research investment and ESG ratings are used by the trustees to monitor changes in the manager's investment process and philosophy, relative to the investment objectives of the Scheme. The trustees are comfortable that the investment with BlackRock remains fit for purpose and aligned with the Scheme's long-term investment objective.
11	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.	<i>Detailed in Appendix 1 of the SIP.</i>	In addition to evaluating performance on a quarterly basis via the investment reports, the trustees held meetings with BlackRock to review their actions together with the reasons for, and the background behind, the investment performance. Mercer advises and assists the trustees in this process. No changes were made to the method for evaluating BlackRock's performance nor the remuneration for their services over the year.
12	How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	<i>Detailed in Section 12 of the SIP.</i>	The trustees monitor the cost of trades for the LDI portfolio on a quarterly basis and for the corporate bond portfolio when any rebalancing occurs, via BlackRock's investment reports. The trustees also review costs relative to the quarterly gilt repo transaction report provided by Mercer, which benchmarks the costs incurred for the Scheme relative to a range of Mercer clients with various LDI managers. No changes were made over the year as the costs of trades were in line with expectations.

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13	The duration of the arrangement with the asset manager	<i>Detailed in Appendix 1 of the SIP.</i>	<p>The trustees' policy to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018 was added during the year. There is no set duration for the appointment of BlackRock. The trustees will retain their appointment with BlackRock unless there is a strategic change to the overall strategy that no longer requires exposure to the funds held with BlackRock or following a review of BlackRock's appointment and a decision by the trustees to terminate.</p> <p>The trustees are comfortable that the investment with BlackRock remains fit for purpose, so no changes were made to duration of the arrangement with the BlackRock over the year.</p>
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The following work was undertaken during the year to 31 December 2021 relating to the trustees' policy on ESG factors, stewardship and climate change, and sets out how the trustees' engagement and voting policies were followed and implemented during the year.

Engagement Activity

- There were no changes to the Investment Consultant's ratings in respect of the assets managed by BlackRock over the year.
- BlackRock confirmed that they are signatories to the current UK Stewardship Code 2020 that took effect on 1 January 2020.
- Mercer confirmed that their investment advisory business is also a signatory to the UK Stewardship Code 2020.
- Mercer, the trustees' investment consultant, requested, on behalf of the trustees, details of relevant engagement activity for the period from the Scheme's investment manager over the year to 31 December 2021, BlackRock.
 - BlackRock's Investment Stewardship team "BIS", engaged on a firmwide level with management teams and/or board members on material business issues, including but not limited to environmental, social, and governance ("ESG") matters. Counterparty risk management focuses more around governance factors, however environmental and social factors are considered to the extent they could lead to a credit deterioration in the short to medium term. Governance has always been a key component of how BIS evaluates counterparties. This includes ongoing monitoring of new regulatory and/or negative news items, any criminal proceedings or regulatory infractions to name a few. BIS also participated in the public dialogue to help shape global norms and industry standards with the goal of supporting a policy framework consistent with their clients' interests as long-term shareholders. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement).
 - Further information on BlackRock's approach to stewardship and instances where BlackRock engaged with companies is detailed in BlackRock's 2021 Investment Stewardship Annual Report and 2021 Global Engagement Summary Report: <https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history>
 - These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.
- As previously noted, the trustees monitor BlackRock's integration of ESG considerations into the investment process on a regular basis and document the position at least annually, through consideration of Mercer's ESG ratings for BlackRock and through meetings with

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BlackRock. If implementing a new manager, the trustees would consider the ESG rating of the manager.

Voting Activity

- The trustees have delegated their voting rights to their investment manager, BlackRock.
- Only in exceptional circumstances do bondholders have voting rights, and BlackRock do not currently produce voting summary reports for fixed income asset classes. The trustees note that voting opportunities primarily arise within equities, and the Scheme does not hold equities, convertible bonds or bonds with equity-like or equity conversion features.