

KUONI TRAVEL LIMITED RETIREMENT BENEFITS PLAN (1971)

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31st December 2020

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustees, has been followed during the year to 31st December 2020. 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 2019 and the guidance published by the Pensions Regulator.

Trustees Investment Objectives

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The primary objective of the Trustees for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

Investment Strategy

During the course of the Plan's financial year to 31 December 2020, the Trustees transferred the Plan's assets to an investment platform and revised the investment arrangements as outlined below:

	Start of Year (%)	End of Year (%)
UK Equities	20.0	20.0
Overseas Equities	20.0	20.0
Emerging Market Equities	3.0	5.0
Listed Infrastructure	6.0	10.0
Diversified Growth Fund	10.0	10.0
Multi-Asset Credit	-	12.5
Corporate Bonds	26.0	-
Index-Linked Gilts	15.0	-
LDI	-	32.5
Total	100.0	100.0

Statement of Investment Principles

The Plan's SIP was updated during September 2020, driven by new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustees' policies in SIP.
- How those arrangements incentivise the asset managers 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.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

The Trustees will assess these policies at least every three years, alongside their review of the SIP, and without delay after any significant change to the investment arrangements.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Plan's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Plan's SIP includes the policy of the Trustee in respect of ESG factors, stewardship and sustainability (including climate risk). The Trustees developed these policies, in conjunction with its investment adviser, during 2019 and were reaffirmed in 2020.

The following work was undertaken during the year relating to the policy of the Trustees in these areas.

- To implement the revised investment arrangements, the Trustees agreed to appoint a number of new investment managers. In advance of doing so, the Trustees reviewed their ESG and climate related policies as well as understanding the extent to which these factors are embedded into their investment processes.
- Although the Trustee will consider and review the engagement activities of an investment manager ahead of funding a new mandate, the Trustees have agreed not to actively monitor the actions of the Scheme's existing managers, preferring instead to make use of their investment advisers ESG ratings. The ESG ratings for each of the Scheme's investments are reviewed on a quarterly basis

Engagement

During the year under review, the Trustees have not engaged with its investment manager on matters pertaining to ESG, stewardship or climate change. However, the Trustees review their stewardship and ESG policies periodically and will review voting and engagement activity on an annual basis..

Voting Activity

As the Plan only holds pooled investments, voting rights are exercised by the investment manager (appointed by the Trustees) in line with their stated policies. As such, the Trustee does not make use of a proxy voting firm but expects the investment manager to report on contentious issues through its reporting and provide voting reports on request.

Please note that voting activity is not applicable to the Plan's Multi-Asset Credit mandate or LDI holdings due to their limited exposure to equities. Voting activity is most relevant for the Plan's equity holdings and Diversified Growth holdings.

Over the twelve months to 31 December 2020, the key voting and engagement activity undertaken by the investment manager on behalf of the Trustees is as follows:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
LGIM UK Equity	<i>ISS – as voting platform and to supplement LGIM own research.</i> <i>IVIS – used to complement research reports received from ISS for UK companies.</i>	12,468 in 894 meetings	6.87%	0.01%	In determining significant votes, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to: <ul style="list-style-type: none">• 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 LGIM notes 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.	<i>Barclays - LGIM voted in favour of Barclays' commitment in tackling climate change resolution. The resolution proposed sets out its long-term plans and has the backing of ShareAction and co-filers.</i> <i>Medtronic plc - following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as they are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM we engaged with the company and clearly communicated our concerns over one-off payments.</i>
		36,465 in 3,134 meetings	19.06%	0.58%		
LGIM World Emerging Markets Equity Index Fund		34,537 in 3,778 meetings	12.99%	1.48%		There were no significant votes made in relation to the securities held by this fund during the reporting period.

LGIM FTSE Developed Core Infrastructure Index Fund	1,920 in 154 meetings	18.19%	0.05%		There were no significant votes made in relation to the securities held by this fund during the reporting period.
LGIM Diversified Growth Fund	11,2453 in 10,973 meetings	17.48%	0.55%		<i>International Consolidated Airlines Group</i> - LGIM decided to vote against the 2020 remuneration report, in particular given the proposed executive bonus payment. The COVID-19 crisis and its consequences on international transport have negatively impacted the airline company's financial performance and business model. As a result of the crisis, the company took up support under various government schemes and announced 30% cut of its workforce. LGIM would like to see the board demonstrate more restraint and discretion with its executive remuneration

Prepared by the Trustees of the Kuoni Travel Limited Retirement Benefits Plan (1971) in June 2021