

Annual Implementation Statement 2020

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed from 1 January 2020 to 31 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, 2018 the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

In addition, this statement also describes any reviews and changes to the SIP during the Scheme year and sets out details of voting behaviour that has been carried out, on behalf of the Trustee, by the investment managers during the Scheme year. The Statement covers both the defined benefit section (“the DB Section”) and the defined contribution sections (“the DC Section”) of the Scheme and should be read in conjunction with the Scheme’s SIP for each section.

2. Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the DB and DC Section of the Scheme included in the SIP are as follows:

DB Section

To guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustee has considered its investment objectives and adopted the following key objectives:

- To avoid volatility in the contribution rate and the Commissioners’ pension costs;
- To achieve, over the long-term, a return on the investments which is consistent with the long-term assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- To endeavour that the assets would be sufficient to meet the liabilities as determined in the event of the Scheme winding up on the basis of full buy-out costs;
- To avoid the need for additional contributions arising from the Statutory Funding Objective;
- To achieve a favourable return on assets invested without incurring undue risk.

To achieve these objectives, the Trustee has put in place the strategic asset allocation framework detailed in SIP’s Section 3.

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 objectives are therefore to make available a range of investment options for this purpose.

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

The Trustee also recognises that, despite encouragement, many members will not make their own investment decision. Therefore, the Trustee has made a default option available for members.

3. Review of the SIP

The Trustee reviewed and amended the Scheme's SIP for each Section once during the Scheme year.

The revision related to the new requirements for the SIP to include the Trustee's policy in relation to their arrangements with their asset managers, requiring the inclusion of:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies in the SIP.
- How that 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.
- 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 the arrangement with the asset manager.

The SIP for both sections was approved and adopted at the Trustee meeting on 24 September 2020. The Trustee consulted with the sponsoring company in finalising the SIPs.

A further update to the DC Section SIP was agreed in January 2021, after Scheme year end. This captured the change in the Scheme's default arrangement, from an investment strategy targeting annuity purchase at retirement to an investment strategy targeting income drawdown. This change to the default was made in December 2020.

The latest SIPs are publically available and can be accessed on this link: <https://www.belfast-harbour.co.uk/documents/>.

Assessment of the policies in the SIP applicable to the Scheme from 1 January 2020 to 31 December 2020

The information provided in this section highlights how the Trustee has followed the policies in the SIP. Covering the work undertaken by the Trustee during the year, and longer term where relevant. In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year to 31 December 2020.

	Requirement	Policy	From 1 January 2020 to 31 December 2020
1	Securing compliance with the legal requirements about choosing investments	<i>Trustee obtains advice from their investment adviser, enabling the Trustee to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustees' opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</i>	<p><u>DB Section</u></p> <p>In June 2020, the Trustee agreed to implement an interim benchmark for the DB Section until the Scheme's strategy is reviewed in 2021 following the 2020 Actuarial Valuation. The interim benchmark removed the allocation to the Aberdeen Standard Life GARS mandate which had been terminated.</p> <p><u>DC Section</u></p> <p>The Trustee agreed to change the default investment Scheme's default arrangement, from an investment strategy targeting annuity purchase at retirement to an investment strategy targeting income drawdown following a review in 2019. The change ultimately took place in December 2020 following an earlier postponement due to the uncertainty in markets caused by the Covid-19 pandemic. The Trustee received the required regulated advice relating to the change and the earlier postponement.</p>
2	Kinds of investments to be held	<p><u>DB Section</u></p> <p><i>The Trustee is satisfied the spread of assets by type and the spread of individual securities within each type provides adequate diversification of investments for risk management purposes.</i></p> <p><i>The process for choosing investments is as follows:</i></p> <ul style="list-style-type: none"> ▪ <i>Identify appropriate investment objectives</i> ▪ <i>Agree the level of risk consistent with meeting the objectives set</i> ▪ <i>Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk</i> <p><u>DC Section</u></p> <p><i>The Trustee's policy is to make available a range of funds which they believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest. The asset classes that are available include equities, a diversified growth</i></p>	<p><u>DB Section</u></p> <p>The Scheme's DB strategy comprises of Global Equity, UK Equity, Property, Absolute Return Fixed Income, Long Dated Corporate Bonds, Corporate Bonds and Liability Matching Assets.</p> <p>The strategy was considered along with the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk (including financially material risks such as Environmental, Social and Governance risks, including climate change).</p> <p><u>DC Section</u></p> <p>There have been no changes during the Scheme year to the kinds of investments held in the Scheme. The arrangements in place are consistent with the policies in the SIP. However, the Trustee agreed to change the Scheme's default arrangement from an investment strategy targeting annuity purchase at retirement to an investment strategy targeting income drawdown. This change to the default was made in December 2020. The SIP was subsequently updated for this change after Scheme year end in January 2021.</p>

		<p><i>fund, money market instruments, index-linked gilts, corporate bonds and property. It is the Trustee's policy to offer both active and passive management options to members where appropriate, depending on asset class. In addition, members have the option of having their funds invested in a range of target dated strategies where members' funds are invested in higher risk type funds such as equities when members are younger and as the member nears their retirement age are switched to funds designed to match how members wish to take their benefits (annuity income, drawdown or cash). Members who do not indicate a preference are invested in the default option.</i></p>	
3	<p>The balance between different kinds of investments</p>	<p><u>For the DB Section</u> <i>The Trustee has adopted a control framework in structuring the Scheme's investments subject to the overriding constraint that at the total Scheme level, the expected level of risk is consistent with the level of return required to meet the objectives.</i></p> <p><u>DC Section</u> <i>The Trustee's policy is to make available a range of funds which they believe provide appropriate strategic choices for members' different saving objectives, risk profiles and time horizons. Members themselves determine the fund(s) in which they choose to invest. In addition, members have the option of having their funds invested in a range of target dated strategies where members' funds are invested in higher risk type funds such as equities when members are younger and as the member nears their retirement age are switched to funds designed to match how members wish to take their benefits (annuity income, drawdown or cash). Members who do not indicate a preference are invested in the default option.</i></p>	<p><u>DB Section</u> The Scheme's DB investment strategy is reviewed formally on a triennial basis, and a review is being carried out over 2021(post Actuarial Valuation).</p> <p><u>DC Section</u> There have been no changes during the Scheme year to the balance between investments in the Scheme. The arrangements in place are consistent with the policies in the SIP. However, the Trustee agreed to change the Scheme's default arrangement from an investment strategy targeting annuity purchase at retirement to an investment strategy targeting income drawdown. This change to the default was made in December 2020. The SIP was subsequently updated in January 2021 for this change.</p>

4	Risks, including the ways in which risks are to be measured and managed	<p><u>DB Section</u> <i>There are various risks to which any pension scheme is exposed, which the Trustee believes may be financially material to the Scheme. These include liability mismatch risk, lack of diversification and manager underperformance.</i></p> <p><i>The Trustee’s policy on the Scheme’s key risks are outlined in section 2.2 of the appended SIP.</i> <i>Should there be a material change in the Scheme’s circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.</i></p> <p><u>DC Section</u> <i>The Trustee’s policy on the Scheme’s key risks is outlined in section 2.2 of the appended SIP.</i></p>	<p>As detailed in the risk section in the SIP, the Trustee considers both quantitative and qualitative measures of risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.</p> <p><u>DB Section</u> The Trustee has agreed a “risk budget” for the DB section – defined by targeting a 1-year funding level Value at Risk (“VaR”) of £5.8m.</p> <p>With regards to the DB section, the Trustee reviews the Scheme’s asset allocation compared with the target allocation on a quarterly basis. The Trustee’s may make rebalancing decisions to ensure that the overall level of risk and return is maintained.</p> <p>The Trustee also reviews the performance of the manager on a quarterly basis and may invite the manager to present to the Trustee if there are any concerns on the performance or management team.</p> <p>A full review of the Scheme’s risk exposures is carried out as part of the triennial strategy review and this is currently underway post year-end.</p> <p><u>DC Section</u></p> <p>The risks set out in the SIP are primarily reviewed as part of the investment strategy review undertaken at least triennially with the last review taking place in 2019. In addition, the Trustee reviewed the measurement of a number of these risks on a quarterly basis during the year as part of their regularly investment performance monitoring. These reviews were provided by the Scheme’s investment advisor.</p> <p>There have been no changes to this policy during the Scheme year. However, there were some updates to the risks set out in section 2.2 in January 2021 to account for the change in the default option that was made in December 2020.</p>
5	Expected return on investments	<p><u>DB Section</u></p>	<p>The investment performance for both the DB and DC sections are reviewed by the Trustee on a quarterly basis. The investment performance report</p>

		<p><i>The Scheme's investment strategy has been structured to ensure that the investments generate a level of return required to meet the overall objectives.</i></p> <p><i>The overall performance objective of the Scheme is to outperform a notional benchmark (calculated by assuming index performance from a mix of assets allocated in accordance with the investment strategy) over a rolling three-year period. In the case of active managers, a target has been agreed to exceed the benchmark by a specific amount.</i></p> <p><i>It is recognised that over the short term, performance may deviate significantly from the long term target.</i></p> <p><u>DC Section</u> <i>The Trustee's policy in relation to expected return is that each fund used in the Scheme has an associated benchmark or target return which the Trustee views as the expected return.</i></p>	<p>includes how the investment manager is delivering against their specific mandates.</p> <p><u>DB Section</u> Over the 3 years to 31 December 2020, the DB Scheme has returned 5.7% p.a. relative to a benchmark of 5.5% p.a..</p> <p><u>DC Section</u> The funds offered to members in the DC Section have mostly performed in line with the benchmark over the period since inception and thus are in line with the Trustee's expectations, therefore, no action has been taken over the period.</p>
6	Realisation of investments	<p><u>DB Section</u> <i>The Trustee considers the liquidity of the investments to ensure assets are realisable when required (i.e. to meet member transfer requests and cashflow requirements).</i></p> <p><i>The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.</i></p> <p><i>The Trustee monitors the allocation between the appointed managers and between asset classes and may rebalance if required.</i></p>	<p><u>DB Section</u> All DB funds are daily dealt pooled investment vehicles.</p> <p>The Trustee monitors the Scheme's cashflow position on a quarterly basis to ensure there is sufficient liquidity within the Scheme to allow for the pay-out of approved member benefit requests and market drawdowns.</p> <p>Over the year the Trustee has reviewed the cashflow position on an on-going basis to ensure short term liquidity to meet cashflow requirements.</p> <p><u>DC Section</u> No changes during the year to the liquidity of the funds used by the Scheme. All assets are daily-dealt pooled investment arrangements. However, trading in the UK Property Fund was suspended during the year as a result of the market volatility caused by the Covid-19 pandemic and no assets</p>

		<p><u>DC Section</u> <i>The assets are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles which are managed by underlying fund managers. The selection, retention and realisation of assets within the pooled funds are delegated to the fund manager in line with the mandate AEGON have in place. The investment manager has responsibility for buying and selling the underlying assets.</i></p>	<p>could be invested into/disinvested from this fund. The suspension was still in place at year end. The Trustee continues to monitor the suspension with the assistance of their investment advisor.</p>
7	<p>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</p>	<p><i>The Trustee considers financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of such factors, including environmental, social and governance factors, is delegated to the investment manager.</i></p> <p><i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights (where applicable) and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i></p> <p><u>DC Section</u> <i>The risks identified in the table above are considered by the Trustee to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their selected retirement age. It is for this reason that a number of lifestyle options have been made available to members.</i></p>	<p>The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by their investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. This training was provided on June 2019. The Trustee keeps their policies under regular review with the SIP subject to review at least triennially.</p> <p>The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ratings for environmental, social and governance factors) from the investment advisers.</p> <p>The Trustee acknowledges that managers in fixed income may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt.</p> <p>Where the asset manager may not be highly rated from an ESG perspective, the Trustee will monitor the rating and any developments using the reports from their investment consultant. When implementing a new manager the Trustee considers the ESG rating of the manager (but given the credit-based nature of the strategy, it may not always be possible to appoint a manager with a high ESG rating).</p>

			<p><u>DC Section</u></p> <p>A number of the key investment risks identified in the SIP were measured and managed, as part of reviewing investment performance at Trustee meetings. A more strategically focused assessment of the investment arrangements formed part of investment strategy review undertaken in 2019. Items 9 and 10 that follow cover the Trustee’s policies on ESG and voting and engagement.</p>
8	<p>The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments</p>	<p><u>DB Section</u></p> <p><i>The Trustee will consider the investment consultant’s assessment of how the investment manager embeds ESG into its investment process and how the manager’s responsible investment philosophy aligns with the Trustee’s responsible investment policy. This includes the investment managers’ policy on voting and engagement.</i></p> <p><u>DC Section</u></p> <p><i>Member views are not taken into account in the selection, retention and realisation of investments in the default investment option</i></p>	<p>The Trustee meets with the investment manager at Trustee meetings as required and may challenge decisions made including voting history (in respect of equities) and engagement activity.</p> <p>No changes during the year to this policy. Members’ views are not taken into account in the selection, retention and realisation of Investments.</p>
9	<p>The exercise of the rights (including voting rights) attaching to the investments</p>	<p><i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i></p>	<p>For both the DB and DC Sections of the Scheme, the Trustee delegates all voting and engagement activities to their investment managers. When required the Trustee will question managers’ voting decisions if they deem them out of line with the investment fund’s objectives or the objectives / policies of the Scheme.</p> <p><u>DB Section</u></p> <p>For the DB Section of the Scheme, the Voting and Engagement policies and activities are most relevant for the mandates where equities are held directly (River and Mercantile and Longview).</p> <p>Over the year to 31 December 2020, River and Mercantile has voted in 251 meeting with 3963 votable proposals. Of these proposals River and Mercantile voted with management 95% of the time. With regards to ESG</p>

			<p>issues, River and Mercantile voted against the management of Glencore on the re-election of a Board Chair as they believed the board were not proficiently guarding against and managing material environmental, social and governance risks.</p> <p>Over the year to 31 December 2020, Longview has voted in 34 meetings with 443 votable proposals. Of these proposals Longview voted with management 99% of the time. With regards to ESG issues, on Oracle Corp, Longview voted with management on the shareholders proposal on increasing the transparency regarding gender and ethnicity pay.</p> <p><u>DC Section</u></p> <p>As the Scheme invests in pooled funds, the Trustee requires the investment manager to engage with the invested companies on their behalf. At present, the investment advisers' ESG ratings help the Trustee to understand how the manager is engaging and integrating ESG issues into their investment decision making and these are reviewed on a quarterly basis.</p> <p>The Trustee has requested key voting activities from the managers during the Scheme year in order to consider this, and the information received is summarised in the Voting and Engagement Policy Statement that follows.</p>
10	<p>Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustee would monitor and engage with relevant</p>	<p><i>The Trustee expects the Scheme's managers to take into account current best practice, including the UK Corporate Governance Code and the UK Stewardship Code, of which the Trustee is supportive.</i></p> <p><i>Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.</i></p>	<p>The Trustee monitors through ongoing reporting from asset manager which included an overview of their ESG policy, including their policy on climate change, and their engagement process. The Trustee does not regularly meet with the investment manager but may choose to meet with the investment manager in future.</p> <p>As the Scheme invests solely in pooled funds, the Trustee requires the investment manager to engage with the invested companies on their behalf.</p> <p>At present, the investment advisers ESG ratings help the Trustee to understand how the manager is engaging and integrating ESG issues into their investment decision making and these are reviewed on a quarterly basis.</p>

	persons about relevant matters)		
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee policies mentioned in subparagraph (b) of the legislation [2-8 of this Statement]	<p><u>DB Section</u> <i>The Trustee’s policy in relation to investments to be held is set out in section 3 of the SIP.</i></p> <p><i>In line with section 3 of the SIP, managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.</i></p> <p><i>As the Trustee invests the bulk of the Scheme’s assets in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.</i></p> <p><u>DC Section</u> <i>Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.</i> <i>The Trustee looks to the investment consultant for their forward-looking assessment of a manager’s ability to perform in line with their stated objectives. This view will be based on the consultant’s assessment of the manager’s idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant’s manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.</i></p>	<p><u>DB Section</u> In the year to 31 December 2020 no specific actions were taken.</p> <p><u>DC Section</u> This is a new policy added in September 2020 and reflects current practice.</p> <p>The manager arrangements were formally assessed as part of the investment strategy review in 2019. The funds used are also assessed on an ongoing basis when concerns are identified. In addition, the Trustee monitored the performance of the investment managers on a quarterly basis during the year.</p>

12	<p>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.</p>	<p><u>DB Section</u> <i>The Trustee meets the Investment Managers as required to review their performance. The Trustee carries out a quarterly evaluation of investment performance</i></p> <p><i>Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.</i></p> <p><u>DC Section</u> <i>Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for. The Trustee looks to the investment consultant for their forward-looking assessment of a manager's ability to perform in line with their stated objectives. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.</i></p>	<p><u>DB Section</u> In the year to 31 December 2020 the Trustee have not met with any of their managers at Trustee. The Trustee is though satisfied that the contractual arrangement in place continues to incentivise the manager to make decisions based on medium to long term financial and non-financial performance.</p> <p><u>DC Section</u> This is a new policy added in September 2020 and reflects current practice.</p> <p>The Trustee delegates all voting and engagement activities to the investment manager. The Trustee has considered the investment advisor's assessment of how each investment manager embeds ESG into its investment process as part of the quarterly performance monitoring.</p> <p>In addition, the Trustee has requested key voting activities from the Scheme's managers during the Scheme year in order to consider this, and the information received is summarised in Voting and Engagement Policy Statement that follows.</p>
13	<p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset</p>	<p><u>DB Section</u> <i>The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis as set out in policy 4.2-E of the SIP. As such managers are assumed to be held for a suitably long time relative to the current medium term funding target. Managers' performance net of fees is therefore</i></p>	<p><u>DB Section</u> In the year to 31 December 2020 the Trustee has received investment manager performance reports on a quarterly basis, which presents performance information over 3 months, 1 year, 3 year and since inception periods.</p>

	<p>management services are in line with the trustee’s policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]</p>	<p><i>reviewed over both short and long time horizons. Remuneration is agreed upon prior to manager appointment and is reviewed on a regular basis.</i></p> <p><u>DC Section</u> <i>The Trustee receives investment manager performance reports on a quarterly basis, which presents performance information over 3 months, 1 year, 3 year and since inception periods. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager’s stated tracking error (over the relevant time period).</i></p> <p><i>If the manager is not meeting their investment objectives for the fund have changed, the Trustee may review the use of that fund including the annual management charge levied.</i></p> <p><i>As part of the annual Value for Money (“VfM”) assessment, the Trustee reviews member borne fees, which include investment manager fees.</i></p>	<p>The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager’s stated tracking error (over the relevant time period).</p> <p>The Trustee focus is on long term performance but will put the manager ‘on watch’ if there are short term performance concerns.</p> <p><u>DC Section</u> This is a new policy added in September 2020 and reflects current practice.</p> <p>The Trustee monitored the performance of the investment managers on a quarterly basis during the year. If the manager is not meeting their investment objectives for the fund, the Trustee may review the use of that fund including the annual management charge levied.</p> <p>As part of the annual Value for Money (“VfM”) assessment, the Trustee reviews member borne fees, which include investment manager fees. A VfM assessment was produced in May 2020 and the Trustee concluded that, overall, the Scheme is rated as providing good value for members.</p>
14	<p>How the trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.</p>	<p><u>DB Section</u> The Trustee policy in relation to the monitoring of portfolio turnover costs is set out in section 4.2-D of the SIP.</p> <p><u>DC Section</u> <i>The Trustee considers portfolio turnover costs as part of the annual value for money assessment.</i></p>	<p><u>DB Section</u> At present, the Trustee does not monitor portfolio turnover costs in the DB section but may look to do so in the future.</p> <p><u>DC Section</u> This is a new policy added in September 2020 and reflects current practice.</p> <p>The Trustee has considered portfolio turnover costs through consideration of transaction cost data as part of the annual value for members’ assessment. The ability to assess the appropriateness of these costs is currently limited by the availability of data and the lack of industry-wide benchmarks. The Trustee will monitor industry developments in how to</p>

			<p>assess these costs and incorporate this in future value for members' assessments.</p> <p>In the year to 31 December 2020, the Trustee has not queried portfolio turnover costs.</p>
15	The duration of the arrangement with the asset manager	<p><u>DB Section</u> <i>The funds invested in are open-ended funds and therefore there is no set duration for the manager appointments. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustee are dissatisfied with the managers' ongoing ability to deliver the mandate promised or because of a change of investment strategy by the Trustee.</i></p> <p><u>DC Section</u> <i>The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.</i></p>	<p><u>DB Section</u> There were no changes during the period.</p> <p><u>DC Section</u> This is a new policy added in September 2020 and reflects current practice. There remains no set durations for manager appointments.</p>

Voting and Engagement Policy Statement

DC Section

Section 4 of the SIP sets out the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment advisors in June 2019 on responsible investment which covered ESG factors, stewardship, climate change and non-financially driven, beliefs-based investing (which can be referred to as "ethical" investment). In September 2019, the Trustee reviewed the SIP and included a policy in relation to ESG, which was established following this training.

There were no material changes to the beliefs or the policies during the Scheme year covered by this statement.

Voting Activity during the Scheme year

The Trustees have delegated their voting rights to the investment managers. The SIP states *"The Trustee has given the Investment Managers full discretion when evaluating ESG factors, including climate change consideration and in exercising rights and stewardship obligations attached to the Scheme's investments, including undertaking engagement activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code"*.

It is the Trustees' view that the policy has been followed during the Scheme year.

Over the prior 12 months, the Trustees have not actively challenged the manager on its voting activity. The Trustees do not use the direct services of a proxy voter.

The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds. However, the Trustees have only received information relating to public equity funds this year. The assets of the Scheme are invested via the Aegon platform with all underlying funds managed by BlackRock.

Overview of BlackRock's approach to voting and engagement

Global Principles

BlackRock's approach to corporate governance and stewardship is explained in its Global Principles. These high-level Principles are the framework for the more detailed, market-specific voting guidelines, all of which are published on the BlackRock's website. The Principles describe its philosophy on stewardship (including how BlackRock monitors and engages with companies), its policy on voting, its integrated approach to stewardship matters and how BlackRock deals with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews its Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year. BlackRock's Global Principles available on its website at <https://www.blackrock.com/corporate/literature/factsheet/blk-responsible-investment-engprinciples-global.pdf>.

Further information on BlackRock's Global Principles and market-specific voting guidelines are available here: <https://www.blackrock.com/corporate/literature/publication/our-2021-stewardshipexpectations.pdf>.

Proxy Voting

Overview of voting process for deciding how to vote.

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. BlackRock informs their vote decisions through research and engage as necessary. Their engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcomes discussions with their clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in their Global Principles, BlackRock determines which companies to engage directly based on their assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of their engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs their vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

Overview of proxy voting decision process

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team ("BIS"), which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, as one among many inputs into their vote analysis process, and BlackRock state they do not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesize corporate governance information and analysis into a concise, easily reviewable format so that the investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial; to manage client accounts in relation to voting and facilitate client reporting on voting. Other sources of information include the company's own reporting, engagement and voting history with the company, and the views of its active investors, public information and ESG research.

Process for determining the "most-significant" votes

BIS prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which BlackRock invests on behalf of its clients. BlackRock year-round engagements with clients to understand their focus areas and expectations, as well as BlackRock's active participation in market-wide policy debates, help inform these priorities. The themes identified are reflected in the Global Principles, market-specific voting guidelines and engagement priorities, which underpin our stewardship activities and form the benchmark against which is looked at the sustainable long-term financial performance of investee companies.

Source: BlackRock

Overview of voting activity, on behalf of the Trustees, for the BlackRock funds containing equity for the 12 months to 31 December 2020

Voting activity information from each of the underlying investment managers where the DC Section of the Scheme has equity exposure (where provided) over the prior 12 months to 31 December 2020 is summarised in the table below. Where fund managers have not been included this is due to not being able to supply voting information at the time of finalising this report.

Fund	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what % did you vote in favour of?	Of the resolutions on which you voted, what % did you vote against?	Of the resolutions on which you voted, what % did you abstain or withhold from voting?
Aegon BlackRock LifePath Flexi 2058-2060	67,990	95.4%	90.3%	7.6%	2.1%
Aegon BlackRock World (ex-UK) Equity Index	26,839	93.2%	90.5%	8.8%	0.6%
Aegon BlackRock UK Equity Index	11,035	100.0%	94.9%	4.4%	0.7%
Aegon BlackRock Emerging Markets Equity	22,849	97.0%	88.8%	8.0%	3.2%
Aegon BlackRock Diversified Growth	11,872	95.8%	92.0%	6.8%	1.2%

Source: Aegon

Significant votes undertaken by BlackRock to the equity holdings for the 12 months to 31 December 2020.

BlackRock publishes “vote bulletins” on key votes at shareholder meetings to provide insight into certain vote decisions that are expected to be of particular interest to clients. These bulletins are intended to explain BlackRock’s vote decisions relating to a range of business issues including environmental, social, and governance matters that it’s considered, based on BlackRock’s global principles and engagement priorities, material to a company’s sustainable long-term financial performance.

BlackRock has provided over 50 “vote bulletins” for the year to 31 December 2020. As detail of all vote bulletins cannot be disclosed in this statement they have selected some examples below. BlackRock has not indicated which “vote bulletins” are relevant to each fund in the Scheme. However, given the default has a substantial exposure to passive developed market equity, they have focused on four large cap companies which would represent a significant holding in such an exposure. The voting relating to these companies is set out in the table below showing how BlackRock voted and their rationale.

Company Name	Market	Proposal Text	Voter Rationale
Facebook, Inc.	United States	<p>Item 1.2: Elect Director Marc L. Andreessen</p> <p>Item 4: Shareholder Proposal to Approve Recapitalization Plan for all Stock to Have One-vote per Share</p>	<p>Against Mr. Andreessen as he serves on the Audit Committee and they do not consider him independent.</p> <p>For the shareholder proposal asking for a recapitalisation plan as we generally support one share one vote capital structures. BIS supported management on all remaining agenda items.</p>
Exxon Mobil Corporation	United States	<p>Item 1.2: Elect Director Angela F. Braly</p> <p>Item 1.4: Elect Director Kenneth C. Frazier</p> <p>Item 4: Require Independent Board Chair</p>	<p>Against Director Angela F. Braly for insufficient progress on TCFD aligned reporting and related action.</p> <p>Against Director Kenneth C. Frazier for insufficient progress on TCFD aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business.</p> <p>For the Independent Chair proposal on account of the belief that the board would benefit from a more robust independent leadership structure given BlackRock's concerns in this area.</p>
Tesla, Inc.	United States	<p>Item 1.2: Elect Director Robyn Denholm</p> <p>Item 5: Adopt Simple Majority Vote</p>	<p>Against Elect Director Robyn Denholm, company's pledging policy is not sufficiently robust, particularly given the significant number of shares committed by Mr. Musk.</p> <p>For Adopt Simple Majority Vote, could provide additional protections to minority investors. While Tesla is not a controlled company and does not have a dual class structure, there are other corporate governance concerns. Tesla shareholders do not elect each director annually; action cannot be taken by written consent; shareholders cannot call special meetings and there is no right to proxy access to nominate directors.</p>
Alphabet, Inc.	United States	<p>Item 1.8: Elect Director Ann Mather</p> <p>Item 5: Shareholder Proposal to Approve Recapitalization Plan for all Stock to Have One-vote per Share</p>	<p>Against Director Mather due to excessive board commitments.</p> <p>For the shareholder proposal asking for the recapitalization plan as they generally support one share one vote capital structures. BIS supported management on all remaining agenda items.</p>