

Implementation Statement

Quadrant Group plc Retirement Benefits Scheme (the 'Scheme') Financial Year Ending 30 June 2020

Introduction

In 2019, the government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. These regulations introduced a requirement for the Scheme to set out how, and the extent to which, Sanpho Pension Trustees Limited (the 'Trustee') has followed the Statement of Investment Principles ('SIP') of the Scheme over the year, and in particular how it has implemented its policies on the exercise of voting rights attaching to its investments and engagement activities.

Trustees review of the SIP during the year

The Trustee maintains SIP for the Scheme which sets out the investment principles for both the Defined Benefit (DB) and Defined Contribution (DC) sections of the Scheme. In order to meet the requirement of regularly reviewing its policies, including the review of the SIP at least triennially, the Trustee reviewed and updated the SIP during the year.

The SIP was updated in September 2019 to incorporate the Trustee's consideration of Environmental, Social and Governance (ESG) issues when determining investment strategy for both DB and DC investments. The SIP was subsequently reviewed in April 2020 to reflect changes to the investment strategy agreed as part of the implementation of a proposed bulk annuity and wind up of the Scheme.

The latest version of the SIP was agreed in September 2020 to reflect the new legislative requirements requiring trustees to explain their policies on how they monitor their asset managers. The current version of the Scheme's SIP is available at: [Statement of Investment Principles 2020](#)

How have the policies in the SIP been followed during the year?

In the opinion of the Trustee, the SIP has been followed during the year. As the Trustee agreed during the year to seek a bulk annuity and subsequent wind up of the Scheme, the Trustee does not believe that developing its policies in the SIP further in accordance with the regulations are appropriate at this time and would not be in the interests of the Scheme's members. The Trustee believes that at all times it has acted to its best ability in the interest of the Scheme's members and that the lack of development of policies in the SIP is not material to the Scheme.

Investment policy

The SIP sets out the Trustee's policies for choosing investments for the Scheme by identifying appropriate objectives which reflect each section's risk and return requirements. The Trustee's primary investment objective for its DB section 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. By doing this the Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme. For its DC section, the Trustee aims to provide suitable investment options that are aligned to the needs of its members.

In considering these objectives and selecting investments, the Trustee obtains and considers written advice from a regulated investment adviser, Mercer. The Trustee is a long-term investor and does not look to change the investment arrangements for the Scheme on a frequent basis. It appointed Legal and General Investment Management (LGIM) in July 2007 to manage the DB assets of the Scheme and appointed Aegon in 1998 to manage the DC assets of the Scheme.

The Trustee had planned to review the asset allocation for the Scheme during the year, however as it agreed in March to seek a bulk annuity and subsequent wind up of the Scheme, the Trustee did not believe that it was appropriate.

Following the year end, the Trustee agreed to make a change to the investment strategy for the DB section by entering into a bulk annuity contract with LGIM. The Trustee followed formal advice provided by Mercer prior to the change.

Investment strategy

The Scheme's assets are invested wholly by the Trustee via pooled vehicles. Accordingly, the Trustee accepts that it has no ability to specify the risk profile and return targets of the investment manager, but instead selects appropriate mandates to align with its overall investment strategy.

For the DB section, the Trustee's strategy is to invest the Scheme's assets into a stabilising portfolio, comprising assets such as corporate bonds, gilts and index linked gilts. The Trustee regards the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile.

For the DC section, the Trustee has assumed responsibility by designing a lifestyle transition strategy in conjunction with written advice from Mercer.

ESG policy

The Trustee recognises that ESG factors, such as climate change, can influence the investment risk and return outcomes of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process. The Trustee further recognises that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

The Trustee had planned to meet with the investment managers during the year to understand how the funds the Scheme are invested in manage the ESG-related risks however, as the Trustee agreed in March to seek a bulk annuity and subsequent wind up of the Scheme, the Trustee did not believe that it was appropriate to meet with the investment managers and does not propose to engage with them going forward as the Scheme will cease to exist.

Voting rights and description of voting behaviour during the year

By investing in corporate bonds, gilts and index linked gilts, the DB section of the Scheme is not invested in company shares (either directly or through pooled funds). The investments do not have any voting rights attached to them and LGIM does not produce voting reports for the Scheme's funds.

The DC section is invested solely in pooled investment funds, and the Scheme has no direct relationship with the funds it is ultimately invested in, therefore no voting rights in relation to its investments. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects Aegon to use their discretion to act in the long-term financial interests of investors.

The Trustee notes that the Aegon's corporate governance policies are available on request and on its website. If the Trustee is specifically invited to vote on a matter relating to corporate policy, it would exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's membership. However, during the year, the Trustee has not been asked to vote on any specific matters.

As the Trustee planned to seek a bulk annuity and subsequent wind up of the Scheme during the year, it does not propose to change its voting practices as a result.

approved by the Trustee and signed on their behalf by:



Claire Stewart
On behalf of the Trustee of the Quadrant Group PLC Retirement Benefits Scheme.
29 January 2021