

UBM Pension Scheme

Implementation Statement, covering the Scheme Year from 1 April 2020 to 31 March 2021

The Trustee of the UBM Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the year, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

This Statement uses the same headings as the Scheme’s SIP dated September 2019 and should be read in conjunction with the SIP.

1. Introduction

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was formally reviewed was September 2019.

The Trustee has, in its opinion, followed the policies in the Scheme’s SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

In relation to the DB section of the Scheme, the Trustee’s primary objectives are:

- that the Scheme should be able to meet benefit payments as they fall due; and
- that the Scheme’s funding position (ie the value of its assets relative to the assessed value of its liabilities) should be at an appropriate level.

The Trustee monitors the progress of the Scheme’s funding position (both the statutory Technical Provisions funding basis and an informal long-term self-sufficiency basis) as part of the quarterly investment reports provided by the Trustee’s investment adviser, LCP, and regular funding updates from the Scheme Actuary. The Trustee has in place a cash flow policy to ensure benefit payments are met and monitored this on a regular basis during the Scheme year.

The Trustee’s objective for the DC section of the Scheme is to provide members with access to an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement. The DC section of the Scheme is closed to new members and new contributions from existing members. There is no default investment arrangement. The Scheme is not used as a qualifying scheme for automatic enrolment purposes.

The Trustee has made available a self-select fund range to members covering all major assets classes as set out in the SIP. The Trustee selected the range of investments taking into consideration the members’ demographics and the variety of ways that members may draw benefits in retirement from the Scheme. The Trustee monitors the funds offered to members (including an assessment of performance, charges and any changes to the funds) through an annual report produced by the Trustee’s investment adviser.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, made one notable change to the DB section’s investment strategy during the year ended 31 March 2021, which was to switch half of the Scheme’s Sterling hedged overseas developed market equity funds into equivalent unhedged share classes. This was implemented on 8 June 2020.

The Trustee reviewed the DC and AVC arrangements during the Scheme year. This was supported by the annual DC (and AVC) report from its investment advisers which was considered at the August 2020 Investment Sub-Committee (“ISC”) meeting. This report did not highlight any necessary changes to the DC investment strategy.

Separately to this Equitable Life, one of the Scheme’s AVC providers, announced it would be selling its business to Utmost Life. Scheme members’ with profits holdings were switched into the Utmost Life Secure Cash Fund on 1 January 2020. Following this, the Trustee agreed to transfer these AVC assets into the Scheme’s main DC / AVC policy with LGIM and invest in LGIM’s Cash Fund. This was implemented in July 2020.

4. Considerations in setting the investment arrangements

When the Trustee made changes to the DB investment strategy over the course of the year, it considered the investment risks set out in Appendix A of the SIP, notably currency risks.

5. Implementation of the investment arrangements

The Trustee has not made any changes to its manager arrangements over the period.

The Scheme's investment adviser monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustee regularly invites the Scheme's investment managers to present at Investment Sub-Committee (“ISC”) meetings. Over the period, the ISC met with Schroders, LGIM, Newton, and Aviva to discuss the Scheme's investments.

The Trustee was comfortable with all of its investment manager arrangements over the year.

For the DB section, the Trustee monitors the performance of the Scheme’s investment managers on a quarterly basis, using the quarterly investment report produced by the Scheme’s investment adviser. The report shows the performance of each manager over the quarter, one year and three years. Performance is considered in the context of each manager’s respective benchmark and objectives as well as the overall contribution to the Scheme’s objectives. The most recent quarterly report, to 31 March 2021, showed that most managers have produced performance broadly in line with expectations over the long-term.

For the DC section, the Trustee monitors the performance of the Scheme’s investment managers and carries out a high level value for members’ assessment on an annual basis. The annual report covering the period to 31 March 2020 was considered by the Trustee at its August 2020 ISC meeting, with the Trustee concluding that the majority of members were receiving good value for money.

6. Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows which maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Over the year, the Trustee used cashflows, particularly disinvestments from the Scheme’s assets, to meet benefits payments, to help rebalance the Scheme’s assets towards the strategic asset allocation. Employer deficit contributions were retained in the Trustee bank account to also meet benefit payments.

The Trustee receives income from the property portfolios managed by Aviva and M&G, the illiquid credit portfolio managed by M&G, and the LGIM equities portfolio. This income is retained in the Trustee's bank account and used towards paying benefit payments.

For the DC Section, it is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offers are daily priced with the exception of one which is weekly priced.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

Over the period, the ISC met with Schroders, LGIM, Newton, and Aviva to discuss the Scheme's investments, and this included engaging with each of the managers on ESG, voting and engagement practices topics. The Trustee was satisfied with the answers provided by the managers. In particular the Trustee received training from LGIM on its range of low carbon-tilted passive equity funds. The Trustee noted that it may be appropriate to consider this fund range further as part of a future review of the investment strategy. The Trustee also received and noted an update from Newton on the "sustainable" version of its Real Return Fund.

Within the DC Section the Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore it has made available the LGIM Ethical UK Equity Index Fund as an investment option to members.

8. Voting and engagement

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees

The Trustee has set up an Investment Sub-Committee ("ISC"), comprising a subset of the Trustee Directors. The purpose of the ISC is to assist the Trustee in meeting its responsibilities as set out in Appendix C of the SIP.

As mentioned in Section 5, the Trustee assesses the performance of the Scheme's investments on an ongoing basis as part of the quarterly investment reports it receives. These are discussed at the quarterly ISC meetings.

The performance of the professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has put in place formal objectives for its investment adviser, LCP, and will review the adviser's performance against these objectives on a regular basis. The first review of the adviser against these objectives was carried out in February 2021, with the Trustee satisfied with its performance.

10. Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee's policies on risks are set out in Appendix A of the SIP.

The Trustee maintains a risk register and sections of it are discussed in rotation at Administration and Investment Sub-committees and Trustee quarterly meetings. The risk register was reviewed and updated during the Scheme year. This included the addition of specific risk wording on climate change risks.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustee by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, the Trustee reviews on a quarterly basis the required investment return for the Scheme to be fully funded on a self-sufficiency basis (informally set as a gilts+0.5% basis) by 31 March 2034 and compares it against the expected return on the Scheme's assets.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the period the Scheme's hedging levels were broadly in line with the target levels.

With regard to collateral adequacy risk, the Trustee monitors the collateral position within the LDI portfolio against optimal and critical levels, as reported by the LDI manager. The intention is to maintain at least the optimal level of collateral within the LDI portfolio. During the year, the level of collateral remained above this level. The Trustee also has an investment in the LGIM Absolute Return Bond Fund alongside the LDI portfolio, which could be used should the LDI manager require additional cash.

Together, the investment and non-investment risks set out in Appendix A of the SIP give rise generally to funding risk. The Trustee formally reviews the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for

membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and the Trustee Directors also have the ability to monitor this daily on LCP Visualise. The quarterly investment reports provided by LCP contain a detailed analysis of the Scheme's deficit developments since the last actuarial valuation.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Investment manager arrangements

The following policies are set out in Appendix B of the Scheme's SIP:

- **LGIM equity and bond portfolios:** investment / disinvestment of monies with LGIM is applied to move the overall allocation towards the strategic benchmark. Cash flows into / out of the Scheme were implemented in line with this policy during the Scheme year.
- **LGIM LDI fund:** The Trustee monitors the performance of the fund against appropriate swap and gilt benchmarks. The investment adviser's quarterly investment reporting provides performance against both swaps and gilts benchmarks.

12. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that hold equities as follows:

- LGIM Global Equity Fixed Weights (50:50) Index Fund
- LGIM Global Equity (70:30) Index Fund
- LGIM UK Equity Index Fund
- LGIM Ethical UK Equity Index Fund
- LGIM World (ex UK) Equity Index Fund
- LGIM North America Equity Index Fund
- LGIM Europe (Ex UK) Equity Index Fund
- LGIM Japan Equity Index Fund
- LGIM Asia Pacific (Ex Japan) Developed Equity Index Fund
- LGIM World Emerging Markets Equity Index Fund
- LGIM Global Emerging Markets Index Fund
- LGIM Multi-Asset (formerly Consensus) Fund
- Newton Real Return Fund
- Schroders Diversified Growth Fund

We have not yet received data from Clerical Medical or Prudential for their respective with profits funds (for the DC section), so these funds are omitted from the Statement. Where voting information was unavailable, the Trustee will continue to work with its advisers and investment managers with the aim of providing this voting information in future implementation statements.

We have omitted the Scheme's other funds (eg property, credit, LDI and liquidity funds) on materiality grounds since these are not expected to hold any physical equity holdings, and any holdings with voting rights attached to them would only be a small proportion of the Scheme's total assets.

12.1 Description of the voting processes

12.1.1. LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

LGIM holds a yearly stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, with the aim of ensuring that its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and LGIM does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which LGIM believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

12.1.2. Newton

Newton's head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. It does not maintain a strict proxy voting policy. Instead, it prefers to take into account a company's individual circumstances, Newton's investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, Newton may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). All voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when Newton may register an abstention given Newton's stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures Newton does not provide confusing messages to companies.

Newton employ's a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. Newton utilises ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting Newton's investment rationale.

12.1.3. Schroders

Schroders evaluates voting issues arising at its investee companies and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients.

Schroders utilises company engagement, internal research, investor views and governance expertise to confirm its intention. As active owners, Schroders recognise their responsibility to make considered use of voting rights. It is therefore their policy to vote all shares at all meetings globally, except where there are restrictions that make it onerous or expensive to vote compared with the benefits of doing so (for example, share blocking practice whereby

restrictions are placed on the trading of shares which are to be voted). In these cases, Schroders will generally not vote.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

	LGIM Global Equity FW (50:50) Index Fund	LGIM Global Equity (70:30) Index Fund	LGIM UK Equity Index Fund	LGIM Ethical UK Equity Index Fund	LGIM World (ex UK) Equity Index Fund	LGIM North America Equity Index Fund (inc Hedged)	LGIM Europe (Ex UK) Equity Index Fund (inc Hedged)
Approx value of Scheme's assets (31 March 2021)	£0.7m	£0.4m	£59.1m	£0.m	£0.1m	£35.6m	£22.4m
No of underlying equity holdings (31 March 2021)	2,858	4,553	598	218	2,540	662	461
No of meetings eligible to vote	3,641	7,515	943	336	3,243	794	686
No of resolutions eligible to vote	44,680	79,697	12,574	5,109	37,840	9,495	11,412
% of resolutions voted	100.0%	99.9%	100.0%	100.0%	99.8%	100.0%	99.9%
% of resolutions voted with management	83.6%	84.3%	92.9%	93.8%	80.3%	71.8%	84.2%
% of resolutions voted against management	16.3%	15.0%	7.1%	6.2%	19.2%	28.2%	15.3%
% of resolutions abstained	0.2%	0.7%	0.0%	0.0%	0.6%	0.0%	0.5%
% of meetings with at least one vote against management	5.5%	5.4%	3.3%	2.8%	6.4%	7.8%	4.4%
% voted contrary to recommendation of proxy advisor	0.4%	0.3%	0.8%	0.9%	0.3%	0.3%	0.4%

	LGIM Japan Equity Index Fund (inc Hedged)	LGIM Asia Pacific (Ex Jap) Dev Equity Index Fund (inc Hedged)	LGIM World Emerging Markets Equity Index Fund	LGIM Global Emerging Markets Index Fund	LGIM Multi-Asset (formerly Consensus) Fund	Newton Real Return Fund	Schroders Diversified Growth Fund*
Approx value of Scheme's assets (31 March 2021)	£14.8m	£16.0m	£14.9m	-	£0.4m	£78.1m	£54.3m
No of underlying equity holdings (31 March 2021)	509	404	1,882	2,811	6,530	91	1,360
No of meetings eligible to vote	551	534	3,998	5,139	11,238	98	1,711
No of resolutions eligible to vote	6,518	3,774	36,036	44,755	114,616	1,307	20,478
% of resolutions voted	100.0%	100.0%	99.9%	99.8%	100.0%	99.2%	99.6%
% of resolutions voted with management	86.1%	74.2%	85.2%	82.6%	81.7%	85.4%	91.9%
% of resolutions voted against management	13.9%	25.8%	13.4%	16.1%	17.7%	14.6%	7.7%
% of resolutions abstained	0.0%	0.0%	1.4%	1.4%	0.6%	0.0%	0.3%
% of meetings with at least one vote against management	5.9%	10.1%	5.1%	6.0%	6.4%	38.0%	45.3%
% voted contrary to recommendation of proxy advisor	0.2%	0.2%	0.0%	0.0%	0.2%	9.9%	Not provided

12.3 Most significant votes over the Scheme Year

Information regarding the most significant votes over the period, from the Scheme's managers that hold listed equities, is set out in the following table.

We have asked the managers to comment on votes that they believe to be significant. We have selected a subset provided by the managers for each fund based on a combination of factors, including the amount the Scheme has invested in the fund, the potential financial impact of the vote, the potential stewardship impact of the vote, and whether the vote was particularly controversial (for example, if it was high profile). No significant votes were

provided for the LGIM World Emerging Markets Equity Index Fund or the Schroders Diversified Growth Fund. Further detail on the votes below and additional votes are available upon request.

Manager	Company	Date of vote	Summary of the resolution	For / Against	Rationale for the voting decision
LGIM	International Consolidated Airlines Group	07-Sep-20	Approve remuneration report	Against	In March 2020, LGIM proactively wrote a private letter to the company to state support during the pandemic, encouraging the board to demonstrate restraint and discretion with its executive remuneration. LGIM believed the proposed executive remuneration at the AGM later in the year was inappropriate in light of the take up of government support, withdrawal of dividends and a 30% cut to the company workforce.
LGIM	Pearson	18-Sep-20	Amend remuneration policy	Against	This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award (unusual for a UK company), and if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. Shareholders were not able to vote separately on the two distinctly different items and felt forced to accept a less-than-ideal remuneration structure for the preferred new CEO. LGIM spoke with the chair of the board earlier this year on the board's succession plans, progress for the new CEO and the shortcomings of the company's current remuneration policy. LGIM also spoke with the chair directly before the EGM, and relayed concerns over remuneration policies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.
LGIM	ExxonMobil	27-May-20	Election of Director	Against	In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that it would be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, LGIM announced it would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying.
LGIM	Olympus Corporation	30-Jul-20	Election of Director	Against	In February 2020, LGIM sent letters to the largest companies in the Japanese equity index that did not have any women on their boards or at executive level, indicating that LGIM expects to see at least one woman on the board. One of the companies targeted was Olympus Corporation, and LGIM voted against the proposal to elect a director in his capacity as a member of the nomination committee and the most senior member of the board to signal that the company needs to take action on this issue.
LGIM	Samsung Electronics	17-Mar-21	Election of Directors	Against	LGIM engaged with the company ahead of the vote but were not satisfied following the company's response that ties had been severed between the company board and criminally convicted director Lee Jae-yong (found guilty of bribery, embezzlement and concealment of criminal proceeds). Additionally, LGIM was not satisfied with the independence of the company board and that the independent directors were able to effectively challenge management. LGIM voted against the resolutions as the outside directors have collectively failed to remove Lee

Manager	Company	Date of vote	Summary of the resolution	For / Against	Rationale for the voting decision
					Jae-yong from the board, which LGIM believes is indicative of a material failure of governance and oversight at the company.
LGIM	Whitehaven Coal	22-Nov-20	Report on potential wind-down of coal operations, with potential to return capital to shareholders	For	LGIM voted for this shareholder resolution. The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, LGIM believes the phase-out of coal will be key to reaching these global targets.
Newton	LEG Immobilien AG	19-Aug-20	Remuneration policy	Against	Newton voted against the proposed pay arrangements on account of their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. With targets not being disclosed, Newton was concerned that long-term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention due to these generally being one-off in nature.
Newton	Microsoft Corporation	02-Dec-20	Election of director, remuneration policy and auditors	Against	<p>Despite improvements to executive remuneration practices over recent years, Newton remained concerned that approximately half of long-term pay awards vest irrespective of performance. Newton voted against the executive compensation arrangements and against the three members of the compensation committee.</p> <p>Newton also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.</p>
Newton	NIKE, Inc.	17-Sep-20	Remuneration policy, auditors and report on political contributions disclosure	<p>Against management proposals</p> <p>For shareholder proposals</p>	<p>Newton voted against the appointment of the external audit firm owing to it serving the company for 46 consecutive years. Newton believes this compromises independence and objectivity.</p> <p>Votes were also instructed against the ratification of the executive compensation arrangements. Newton's concern was that fewer than 50% of long-term pay awards were subject to the achievement of performance conditions.</p> <p>Finally, Newton supported a shareholder resolution requesting enhanced disclosures on political contributions. While the company's disclosures offer some insight into the contributions made and the governance framework surrounding this risk, Newton felt that the proposal would offer increased transparency of the company's relationships with trade associations and would bring its disclosures in line with better-performing peers.</p>

