

Annual Implementation Statement

MILLENNIUM & COPTHORNE DB PENSION PLAN

Introduction:

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 05 April 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The table later in this document sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section of the SIP have been followed.

Investment Objectives of the Plan:

The Trustee believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan's DB section are included in the SIP and are as follows:

- 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.
- To maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

Review of the SIP:

During the year the Trustee reviewed the Plan's SIP. A revised SIP was signed on September 2019 in order reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the Trustee takes account of financially material considerations, including Environmental, Social and Governance ("ESG") considerations, and explicitly climate change.
- The Trustee's approach to the stewardship of the investments, including engagement with investee firms and the exercise of voting rights.
- The extent to which non-financial matters are taken into account and the approach to the stewardship of investments.

Assessment of how the policies in the SIP have been followed for the year to 5 April 2020

The information provided in the table below highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP, relating to the DB Section of the Plan.

In the opinion of the Trustee, *the SIP has been followed during the year.*

	<i>Requirement</i>	<i>Policy</i>	<i>In the year to 5 April 2020</i>
1	<i>Securing compliance with the legal requirements about choosing investments</i>	<p><i>The Trustee has obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, Mercer Ltd (“Mercer”), whom it believes to have a degree of knowledge and experience that is appropriate for the management of its investments SIP section 1</i></p> <p><i>The Trustee has appointed Mercer as the independent investment adviser to the Plan. Mercer provides advice as and when the Trustee requires it, as well as raising any investment-related issues, of which it believes the Trustee should be aware.</i></p> <p><i>The Trustee has appointed JLT IM as investment manager to the Plan. The key duty of JLT IM is to select underlying investment managers suitable to each mandate within the Trustee’s agreed asset allocation.</i></p> <p><i>If a manager is significantly downgraded by Mercer’s Manager Research Team, JLT IM will replace that manager with a suitable alternative. JLT</i></p>	<i>No new investments were implemented over the period to 5 April 2020.</i>

		<p><i>IM monitors the underlying investment managers to ensure their continuing appropriateness to the mandates given.</i></p> <p>SIP section 3.2 and 3.3</p>	
2	Kind of investments to be held	<p><i>The Trustee has determined the investment strategy after considering the Plan’s liability profile and requirements of the Statutory Funding Objective, the Trustee’s own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer’s appetite for risk, and the strength of the Sponsoring Employer’s covenant. The Trustee has also received written advice from its Investment Adviser.</i></p> <p><i>The Trustee recognises the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where it considers it advisable to do so, the Trustee has appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustee to commit the resources</i></p>	<p>The basis of the Trustee’ strategy is to divide the Plan’s assets between a “growth” portfolio, comprising assets such as diversified growth funds (DGFs), equities and property, and a “stabilising” portfolio, comprising assets such as bonds and liability driven investments (“LDI”).</p> <p>The Trustee are comfortable that the Plan’s assets were invested in in line with their policies during the year.</p>

		<p><i>necessary to make these decisions themselves.</i> SIP section 4.1</p> <p><i>The use of derivatives is permitted by the guidelines that apply to the pooled funds</i> SIP section 4.3</p>	
3	The balance between different kind of investments	<p>The Trustee have established a strategic investment benchmark for the Plan, taking into account the potential risks outlined in the SIP.</p> <p>The Trustee have adopted an investment strategy with a 70% allocation to Growth Assets (“DGFs” and Multi-Asset funds) and a 30% allocation to Stabilising Assets (liability driven investments). SIP Appendix 1</p>	<p>From time to time, the Plan’s investment manager will rebalance the Plan’s assets back to the central benchmark should they significantly stray from the defined benchmark allocation. Investment/ disinvestment requests are used to help keep the asset allocation within the defined allocation.</p> <p>The Trustee are comfortable that the strategic allocation remained appropriate during the year under review.</p>
4	Risks including the ways in which risks are to be measured and managed	<p><i>The Trustee recognise a number of risks involved in the investment of the Plan. The Trustee have considered risks which they believe may be financially material to the Plan over its anticipated lifetime.</i></p> <p>These considerations are taken into account in the selection, retention and realisation of investments. SIP section 5.0</p>	<p>As detailed in the SIP, the Trustee consider both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation and the choice of fund managers / funds / asset classes.</p>

5	Expected return on investments	<p><i>The Trustee's primary investment objective 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.</i></p> <p>SIP section 2.0</p>	<p>The investment performance report is reviewed by the Trustee on a quarterly basis, and includes information on how each pooled fund is performing relative to its respective benchmark.</p> <p>No actions were taken by the Trustee during the year in respect of investment manager appointments.</p>
6	Realisation of investments	<p><i>In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has decided on a structured approach to rebalance the assets in accordance with its overall strategy</i></p> <p>SIP section 4.1</p> <p><i>JLT IM, on behalf of the Trustee, will take ESG considerations into account in the selection, retention and realisation of investments for the Plan.</i></p> <p>SIP section 4.4</p> <p><i>Where possible, cash outflows will be met from cash balances held by the Plan and from income from the Plan's investments in order to minimise transaction costs.</i></p> <p>SIP Appendix 2</p>	<p>Contributions and disinvestments of monies to meet cash flow requirements during the year were undertaken in line with the Trustee's cash flow management and rebalancing policy.</p>
7	Financially material considerations over the appropriate time	<p><i>The Trustee has prioritised assets which provide protection against movements in the Plan's liability value and also assets which provide diversification across a wide range of investment</i></p>	<p>The investment performance reports are reviewed by the Trustee on a quarterly basis – these includes research ratings from the investment adviser.</p>

	<p>horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments</p>	<p><i>markets. The Trustee considers the financially significant benefits of these factors to be paramount.</i></p> <p><i>The Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Plan's investments over the appropriate investment and funding time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors (including but not limited to climate change).</i></p> <p><i>The Plan's assets are invested in pooled funds. The Trustee accepts the fact that it has very limited influence over the ESG policies and practices of the companies in which its managers invest. The Trustee will therefore rely on the policies and judgement of its investment managers and the Trustee will review those policies with the assistance of Mercer (the Trustee's investment adviser) annually at its quarterly trustee meetings.</i></p> <p>SIP section 4.4</p>	<p>The Trustee are comfortable with the research ratings applied to the funds, and continue to closely monitor these ratings and any significant developments at the investment manager.</p> <p>The Plan's SIP includes the Trustee' 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 order to monitor ESG related risks and opportunities. In order to establish these beliefs and produce this policy, the Trustee considered their beliefs during the year under review with a view to undertaking further training on responsible investment in due course. The Trustee keep their policies under regular review with the SIP subject to review at least triennially.</p>
8	<p>The extent (if at all) to which non-financial matters are taken into account in the</p>	<p><i>The Trustee has determined that the financial interests of the Plan members are its foremost priority when choosing investments.</i></p> <p><i>The Trustee only considers factors that are expected to have a financial impact</i></p>	<p>Member views are not explicitly taken into consideration.</p>

	<p>selection, retention and realisation of investments</p>	<p><i>on the Plan's investments. Non-financial matters are not taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan.</i></p> <p>SIP section 4.3</p>	
9	<p>The exercise of the rights (including voting rights) attaching to the investments</p>	<p><i>In relation to the exercise of the rights (including voting rights) attaching to the investments, the Trustee has delegated the decision on how to exercise voting rights to its investment managers. This includes decisions around the selection, retention and realisation of investments within their mandates. The Trustee expects the investment managers to exercise these rights in accordance with their respective published corporate governance policies. This applies to both equity and debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or</i></p>	<p>The Trustee has delegated the exercise of voting rights to the Plan's investment managers. As such, this activity is expected to be undertaken on behalf of the Trustee. The Trustee do not use the direct services of a proxy voter, however the investment managers may enlist the service of a proxy voted when required.</p> <p>The Trustee have equity exposure through the following funds;</p> <ul style="list-style-type: none"> • Baillie Gifford Diversified Growth Fund • Invesco Perpetual Global Targeted Returns Pension Fund • Columbia Threadneedle Multi-Asset Fund <p>Over the prior 12 months, the key voting activity on behalf of the Trustee is as follows:</p> <p>Baillie Gifford Diversified Growth Fund</p> <p>While Baillie Gifford is cognisant of proxy advisors' voting recommendations (Institutional Shareholder Services and Glass Lewis),</p>

		<p><i>potential conflicts of interest, risks, social and environmental impact and corporate governance.</i></p> <p>SIP section 4.4</p>	<p>the firm does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on clients' shares. All client voting decisions are made in-house and in line with in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information. Potential significant voting situations are set out below:</p> <ul style="list-style-type: none"> - Baillie Gifford's holding had a material impact on the outcome of the meeting; - The resolution received 20% or more opposition and Baillie Gifford opposed; - Egregious remuneration; - Controversial equity issuance; - Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders; - Where there has been a significant audit failing; - Where Baillie Gifford has opposed mergers and acquisitions; - Where Baillie Gifford has opposed the financial statements/annual report; - Where Baillie Gifford has opposed the election of directors and executives. <p>There were 103 voteable meetings over the year, of which Baillie Gifford voted in c. 93% of these meetings on behalf of the Trustee. In these meetings, there were a total of 936 voteable proposals.</p> <p>There has been 103 votable meetings with 936 votable proposals over the year. Baillie Gifford participated in the vote of over 93% of votable proposals. In 93% of these votes, Baillie Gifford indicated their support to the companies' management proposals, while voting against around 5% of the time, and abstaining from voting in less than 2% of the proposals.</p>
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			<p>analysts. Votes are cast identically across all mandates for which Columbia Threadneedle has voting authority. All its voting decisions are available for inspection on their website seven days after each company meeting. Proxy voting is effected via ISS.</p> <p>Columbia Threadneedle defines significant vote as any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where the firm supports a shareholder-tabled proposal not endorsed by management. Columbia Threadneedle reports annually on the reasons for applying dissenting votes via its website</p> <p>There were 619 votable meetings over the year. In these meetings, there were a total of 7,333 votable proposals out of which Columbia Threadneedle participated in the vote of 99% of the proposals. In around 85% of these votes, Columbia Threadneedle indicated their support to the companies' management proposal, while voting against management around 8% of the time and abstaining from voting on around 6% of the proposals.</p> <p>Columbia Threadneedle disclosed details of two significant votes that occurred during the year under review:</p> <p><u>Adobe Inc.</u> Date of Vote: 11 April 2019 Summary of the resolution: Shareholder resolution: report on gender pay gap Voting decision: For Rationale for voting decision Columbia Threadneedle voted in favour of this resolution as it encourages the company to increase disclosure of material, decision-useful data. This is in line with the firm's view that active stewardship</p>
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			<p>(engagement and voting) continues to form an integral part of its research and investment process.</p> <p><u>Northrop Grumman Corporation</u> Date of Vote: 15 May 2019 Summary of the resolution: Shareholder proposal: require independent board chairman Voting decision: For Rationale for voting decision Columbia Threadneedle voted for this proposal, as it improves corporate governance practices in the interests of shareholders.</p> <p>BMO – Real & Dynamic LDI Funds BMO did not provide voting activity details as these are LDI portfolios for which voting activity is not relevant.</p> <p>During the year under review, the Trustee did not actively challenge the investment manager on its voting activity.</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 persons</p>	<p><i>The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes that the investment managers are best placed to engage with investee companies on their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.</i></p> <p><i>The Trustee has delegated to JLT IM and Mercer, under the terms of their</i></p>	<p>As the Plan invests solely in pooled funds, the Trustee require their investment manager to engage with the investee companies on their behalf. The Trustee wish to encourage best practice in terms of corporate activism. They therefore encourage their investment manager to discharge its responsibilities in respect of investee companies in accordance with relevant legislation and codes.</p> <p>The Trustee has given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee will review the</p>

	<p>about relevant matters)</p>	<p><i>engagements, the monitoring of the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustee. The Trustee expects and encourages JLT IM and Mercer to exercise these rights and undertake monitoring and engagement. JLT IM and Mercer will update the Trustee periodically on the activities undertaken in this regard. If the Trustee has any concerns, it will raise them with JLT IM or Mercer, verbally or in writing.</i></p> <p>SIP section 4.4</p>	<p>investment managers' policies and engagement activities (where applicable) on an annual basis.</p> <p>The Trustee received details of relevant engagement activity for the year to 5 April 2020 from each of the Plan's investment managers, covering a wide range of different issues, including ESG factors. Examples of this are given below:</p> <ul style="list-style-type: none"> • Baillie Gifford engaged with management of companies to discuss their record and policies on governance, sustainability, environmental impacts, board structure and remuneration policies. • Invesco engaged with companies on ESG issues centered on sustainability, climate change, executive remuneration, business ethics and corporate governance concerns. • Columbia Threadneedle engaged with companies on a number of issues, including environment sustainability, climate change, corporate governance, business ethics, executive remuneration policies and labour rights • BMO contribute to standard-setting in public policy, where they seek to be a constructive investor voice. They provide consultations on responsible investment policies, codes and regulations, work with global stock exchanges on listing standards and advocate policies that raise the bar for the management of ESG risks faced by companies in which they invest.
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