

Annual Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee Directors ("the Trustees") 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 Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The table later in the document sets out the how, and the extent to which, the policies in the Millennium & Copthorne DC Pension Plan ("the Plan") SIP have been followed.

Investment Objectives of the Plan

The Trustees 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 included in the SIP are as follows:

- The Trustees' main objective is to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.
- The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy.
- The Trustees will review the investment approach from time to time, and make changes as and when it is considered appropriate. The fund range and default investment strategy are reviewed on at least a triennial basis.

Review of the SIP

During the year the Trustees reviewed the Plan's SIP. A revised SIP was signed on 30 September 2019 in order to reflect new requirements under the Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018 relating to the following points:

- How the Trustee takes account of financially material considerations, including Environmental, Social and Governance ("ESG") considerations, and explicitly climate change.
- The 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.

Assessment of how the policies in the SIP have been followed for the year to 05 April 2020

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the Plan as a whole and the default investment arrangement. The SIP is attached as an Appendix and sets out the policies referenced below.

Millennium & Copthorne DC Pension Plan

	Requirement	Policy	In the year to 05 April 2020
1	Securing compliance with the legal requirements about choosing investments	<i>Trustees obtain advice from their investment adviser, who can provide expert advice enabling the Trustees to choose investment vehicles that can fulfil the Plan's investment objectives. In the Trustees' opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</i>	<p>The Trustees received formal Section 36 advice from their investment adviser on 16 January 2020 regarding changes to the Plan's AVC assets following the closure of Equitable Life with the assets being transferred to Utmost Life and Pensions Limited.</p> <p>No other new investments were implemented over the period covered by this statement.</p>
2	Kinds of investments to be held	<p><i>The Trustees are permitted to invest across a wide range of asset classes both active and passive. All of the funds in which the Plan invests are pooled and unitised.</i></p> <p><i>The Trustees have made available a range of individual self-select fund options in addition to the default investment strategy. A range of asset classes has been made available, including: equities, money market investments, property and corporate bonds.</i></p>	<p>The default investment option was subject to its formal triennial review which was concluded on 12 October 2018. Although this review was not undertaken during this year, it represents an important exercise for the Trustees that covers the majority of the investment policies the Trustees' have in place. The investments (fund type, management style and asset allocations) used in the default strategy were reviewed as part of this exercise.</p> <p>The new default strategy will replace the L&G Global Equity Fixed Weights 60:40 Index Fund allocation with the L&G Diversified Fund, a diversified growth fund ("DGF"). The reason for this is that the DGF has significantly lower risk than the L&G Global Equity 60:40 Index Fund and invests in a diverse basket of asset classes including equities, corporate bonds, government bonds, and alternatives.</p> <p>The L&G Cash Fund used in the default strategy will also be replaced with the L&G Sterling Liquidity Fund as it is more diversified and holds longer</p>

			<p>term underlying assets (up to 1 year instead of 30 days), offering higher interest rates to compensate holding these longer term deposits.</p> <p>The default arrangement will continue to target annuities and cash given the existence of a Defined Benefit underpin and the new strategy will be in place by November 2020. The SIP will be amended to reflect these changes once they have been implemented.</p> <p>As part of the triennial review, the Trustees also undertook a review of the self-select fund range. In order to increase member choice, the Trustees added a DGF, emerging market equity fund, and a more diverse global equity fund. The details of the types of investment referenced in the SIP remains consistent with the fund range offered to members.</p>
3	The balance between different kinds of investments	<p><i>When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.</i></p> <p><i>Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option.</i></p>	<p>The asset allocation of the default investment strategy is reviewed on a triennial basis. The last review concluded on 12 October 2018. The new default investment strategy was deemed appropriate to meet the stated aims and objectives of the default strategy. The Trustees' objective is to optimise the return on investments at an acceptable level of risk in order to build up a savings pot that will be used in retirement.</p> <p>A review of the Plan's self-select investment options also formed part of the triennial investment review, which resulted in new funds being added (expected by November 2020) to the self-select fund range. The Trustees concluded that the self-select fund range provides members with a suitable range of asset classes.</p> <p>The Trustees receive quarterly investment performance reports, which monitor the return of both the default investment strategy and self-select funds.</p>

4	Risks, including the ways in which risks are to be measured and managed	<p><i>The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the self-select funds and the default investment strategy.</i></p>	<p>As detailed in the risk section of the SIP (section 6), the Trustees consider both quantitative and qualitative measures for these risks as well as how best to manage the various risks facing DC members. The Trustees provide a range of investment options which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances.</p> <p>The Plan maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions.</p>
5	Expected return on investments	<p><i>The funds available are expected to provide an investment return commensurate with the level of risk being taken.</i></p> <p><i>In designing the default investment option, the Trustees have explicitly considered the trade-off between risk and expected returns.</i></p>	<p>The investment performance report is reviewed by the Trustees on a quarterly basis – this includes the return characteristics of the default and additional investment fund choices. The investment performance report includes how each investment manager is delivering against their specific benchmarks.</p>
6	Realisation of investments	<p><i>The Trustee’s administrators will realise assets following member requests on retirement or earlier where required.</i></p> <p><i>The Trustee considers the liquidity of the investment in the context of the likely needs of members.</i></p>	<p>The Trustees receive administration reports on a quarterly basis to ensure that core financial transactions are processed within SLAs and regulatory timelines. As confirmed in the Chair Statement, the Trustees are satisfied that all requirements were met throughout the year and 76% of SLAs were met as at 05 April 2020.</p> <p>All funds are daily dealt pooled investment vehicles.</p>

7	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><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 and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i></p>	<p>The investment performance report is reviewed by the Trustees on a quarterly basis. This includes the fund ratings from the investment consultant. All of the managers remained generally highly rated during the year.</p> <p>The Environmental, Social and Governance ('ESG') ratings are also reviewed at least annually and are included in the annual value for members assessment. Where managers are not highly rated from an ESG perspective the Trustees continue to monitor them. When implementing a new manager the Trustees consider the ESG rating of the manager.</p> <p>The Plan's SIP includes the Trustees' policy on ESG, 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.</p> <p>The Trustees keep their policies under regular review with the SIP subject to review at least triennially.</p>
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<p><i>Non-financial matters, such as member views, are not taken into consideration.</i></p>	No proof required.
9	The exercise of the rights (including voting rights)	<p><i>Investment managers are expected to evaluate these factors, including climate change considerations, and</i></p>	<p>The Trustees have delegated the exercise of voting rights to the underlying investment managers, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Trustees expect the investment managers to have</p>

	attaching to the investments	<i>exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i>	<p>produced written guidelines of their process and practice in regard to the LGIM Global Equity and LGIM Ethical UK Equity Funds.</p> <p>Over the last 12 months, the voting activity on behalf of the Trustees is as follows:</p> <ul style="list-style-type: none"> • LGIM – Various Passive Mandates <ul style="list-style-type: none"> – In 2019, LGIM engaged with 493 companies, voted on 50,900 resolutions, opposed the election of more than 4,000 company directors globally and opposed 35% of pay packages globally. – They also co-filed their first shareholder resolution, which led to oil major BP adopting industry- leading climate Targets. – Furthermore, they took sanctions against 11 companies named as laggards under our Climate Impact Pledge. – LGIM also opposed 15% of director-related shareholder resolutions globally over concerns over the suitability of directors. <p>Over the period of this statement, the Trustees have not actively challenged managers on voting activity.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	<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>As the Plan invests solely in pooled funds, the Trustees require their investment manager to engage with the investee companies on their behalf.</p> <p>The Trustees wish to encourage best practice in terms of corporate activism. It therefore encourages its investment managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes.</p> <p>The Trustees requested that L&G confirm compliance with the principles of the UK Stewardship Code. They confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first</p>

		<p><i>Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.</i></p>	<p>list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.</p> <p>Over the year to date, the Trustees did not consider the voting activity in detail but will do so going forwards. We are working with our advisers to be able to report this in a more meaningful way in the next Implementation Statement.</p>
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LGIM use ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM who do not outsource any part of the strategic decisions. Additionally, being seen to identify, manage and mitigate both actual and perceived conflicts is essential to LGIM’s activities, so that clients understand their interests are always put first. The management of conflicts is important in building long-term relationships with the companies in which they invest, as in order to drive change and have an impact on the market they need to be seen as a trusted, fair and transparent investor. It is therefore important for LGIM to have a robust conflicts of interest policy in place.

Their direct engagement with companies is a way they seek to identify ESG risks and opportunities. On-going dialogue with companies is a fundamental aspect of LGIM’s responsible investment commitment. LGIM aims to raise the performance of the whole market through our ESG capability and engagement of companies globally. LGIM tackle difficult and inter-connected ESG issues that materially impact the value of our clients’ assets. Regular monitoring of companies assists us in identifying change. In the case of unsuccessful engagements, the team will assess where problems arose and what new approach can be employed. As a large and long-term investor, LGIM can maintain the pressure on companies over many years, and apply a multi-layered escalation strategy. Progress on engagement activity is peer reviewed at weekly team meetings and monthly individual meetings with the Director

of Corporate Governance. The regular review process ensures engagement is progressing as expected or requires escalation. The voting process we have established works alongside this engagement process, as voting action is taken where engagement does not produce satisfactory results, and the results are publicly disclosed.

LGIM defines significant voting as:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.