Implementation Statement

Carver Pension Scheme

Introduction

This Implementation Statement for the Carver Pension Scheme ("the Scheme") has been prepared by the Trustees for the year 6 April 2020 to 5 April 2021.

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual implementation statement which outlines the following:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
- Evidence on how the Trustees have fulfilled the objectives and policies included in the SIP over the Scheme year;
- Describe the voting behaviour by, or on behalf of the Trustees (including the most significant votes cast by Trustee or on their behalf) during the Scheme year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above.

Changes to the SIP over the year to 5 April 2021

The SIP was last reviewed and updated in September 2020 to take account of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The revisions:

- Included the Trustees' policies on the arrangements with their asset managers, including how costs and performance are monitored and assessed.
- Extended the policies on stewardship and set out the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters.

The Trustees consulted with the employer when making these changes and obtained written advice from their investment adviser, Aon Solutions UK Limited ("Aon").

The most recent SIP can be found online here: https://www.carver-group.com/wp-content/uploads/2020/10/Carver_SIP_September_2020.pdf

Meeting objectives and policies outlined in the SIP

The Trustees believe they have followed the policies set out in the Scheme's SIP during the year. Further details on this are set out below.

Defined Benefit ("DB") and Defined Contribution ("DC") sections

Objective and strategy

The Trustees have established an investment strategy for the DB section that is expected to broadly match the Scheme's nominal and real liabilities and add returns to target +2% p.a. outperformance.

During the year, the Nominal +2% and Real +2% funds in which the Scheme invested were restructured to target +3% p.a. outperformance of nominal and real liabilities respectively. At the time of these changes, the Trustees agreed to switch 50% of the Scheme's respective Nominal and Real investments into Nominal +1% and Real +1%

funds, to maintain the Scheme’s overall target return of +2% p.a. outperformance of nominal and real liabilities. The Trustees obtained written advice from Aon when making these changes.

The Trustees review the investment strategy for the DB section in conjunction with each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). Following the 2020 actuarial valuation of the Scheme a strategy review is overdue, and the intention is for this to be undertaken in 2021.

The Trustees' primary objectives for the DC section are:

- 'asset choice' to ensure members have an appropriate choice of assets for investment
- 'return objective' to enable members to benefit from investment in 'growth assets' until they approach retirement, when they will be able to switch to 'matching' assets which are more related to the purchasing cost of their income and cash at retirement.

The Trustees have provided a range of investment options for members to invest their DC funds throughout the year. The fund range provides access to an equity, multi-asset, pre-retirement and cash fund and therefore ensures members have an appropriate choice of assets for investment depending upon their appetite for investment risk. The lifestyle strategy offered to members provides a strategy that manages investment risk depending upon members' term to retirement, for those members who do not wish to choose their own funds.

The investment strategy for the DC section was last reviewed in 2017. A strategy review is therefore overdue, and the intention is for this to be undertaken in 2021.

Managing and monitoring risks

The Trustees recognise the Scheme's assets are exposed to several risks. For the DB section, these comprise primarily of credit risk, currency, interest rate and inflation risk, market risk, liability mismatching risk and other price risks. The Trustees consider these risks as part of each formal investment strategy review, with the next strategy review due to be undertaken in 2021.

The Trustees also consider investment risk to include environmental, social and governance (“ESG”) factors and climate change. The Trustees appointed Aon Investments Limited (“AIL”) to manage the Scheme's DB assets. As part of AIL’s management of the Scheme’s assets, the Trustees expect AIL to assess the integration of ESG factors in the investment process of the underlying asset managers and use its influence to engage with the managers to ensure the Scheme's assets are not exposed to undue risk.

For the DC section, the Trustees recognise that members take the investment risk and that the key financial risk arises from the choice of funds offered to members. The Trustees therefore retain responsibility for choosing the funds available and take expert advice as required from their professional advisers. The Trustees take professional advice when formally reviewing their asset managers or funds offered to members. This advice will typically be taken at least every three years.

The Trustees reviewed the funds available to members as part of the investment strategy review carried out in 2017. The next investment strategy review is overdue, and the intention is for it to be carried out during 2021.

The Trustees believe that they must act as responsible stewards of the assets in which the Scheme invests. As part of their delegated responsibilities, the Trustees expect the Scheme's asset managers to consider corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

Expected returns on assets

The Trustees' long-term expectations are for the DB section assets to achieve a return of Gilts +2% p.a. Please refer to the “Objectives and Strategy” section above for details of the actions taken by the Trustees to maintain their expected return on assets during the year.

The Trustees' long-term expectations for the DC section assets are for:

- "growth" assets to achieve a return which keeps pace with the increase in national average earnings [price inflation plus 2% p.a.] over the same period.
- index-linked bonds to achieve a rate of return in excess of price inflation, and short-term price behaviour in line with the cost of providing index-linked annuities.
- monetary assets (corporate bonds, gilts, cash etc), to achieve a rate of return which is at least in line with changes in the cost of providing fixed income annuities.

Returns achieved by each investment manager are assessed against performance benchmarks set by the Trustees in consultation with their advisers and asset managers. The Trustees review the performance of these funds, comparing performance to suitable benchmarks set by the asset managers, as part of each investment strategy review.

Arrangements with asset managers

For the DB section, the Trustees recognise that the arrangements with AIL, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. The Trustees delegate the ongoing monitoring of underlying asset managers to AIL. AIL monitors the Scheme’s investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

Aon also actively engage with asset managers and this is used to support AIL in their fiduciary services. Aon’s Investment Manager Research (“IMR”) Team are responsible for researching, rating and monitoring asset managers across all asset classes. This includes some aspects on the manager’s alignment with Trustee policies generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues. IMR meet with the managers regularly and receive a quarterly update on the portfolio, performance and any major developments.

Please see the “Engagement activity – fiduciary manager” section below for further details on the engagement activities undertaken by AIL over the year.

For the DC section, the Trustees review the performance of DC funds as part of each investment strategy review. They also collate information on the asset managers’ voting and engagement behaviour each year as part of the work to prepare the Implementation Statement.

Cost monitoring

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

For the DB section, the remuneration paid to AIL and fees incurred by third parties appointed by AIL are provided annually by AIL to the Trustees. This cost information is set out alongside the performance of AIL to provide context. The Trustees monitor these costs and performance trends over time.

For the DC section (and the AVC arrangements), the investment managers are remunerated by a set percentage of the assets under management (taken as an adjustment to the unit price). The Trustees monitor and review the level of charges and transaction costs as part of the work to prepare the Chair's Statement each year.

Effective decision-making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

The Trustees' professional advisers were present at every Trustee meeting during the Scheme year, to provide advice and training and, where appropriate, to support effective decision-making. All investment decisions are discussed by the whole Trustee body with assistance from the Scheme's investment advisers before decisions are taken. The Trustees also considered their levels of knowledge and understanding when reviewing the Chair's Statement produced as part of the Report & Accounts.

Activism, and the Exercise of the Rights Attaching to Investments

The Trustees do not currently have a specific policy in relation to the exercise of the rights (including voting rights) attached to investments. These matters are however kept under review and the Trustees are aware of the policy towards corporate governance adopted by their asset managers and receive regular reports on their activity.

Scheme Stewardship activity over the year

Summary

Based on the activity over the year by the Trustees and their service providers, the Trustees are of the opinion that their stewardship policy has been implemented effectively in practice. The Trustees note that their fiduciary manager and some of the most material asset managers were able to disclose strong evidence of voting and engagement activity.

The Trustees expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

DB section

Engagement activity – Fiduciary manager

The Trustees invest the Scheme’s assets in Aon’s Delegated Consulting Service. Management of the Scheme’s assets has been delegated to fiduciary manager, AIL, acting within parameters set out by the Trustees.

As at 5 April 2021, the Scheme invested in Nominal +3, Real +3, Nominal +1 and Real +1 funds, each containing exposure to both a Managed Growth Fund and a Hedging Component consisting of liability hedging instruments. Under DCS, AIL manage the Scheme’s assets in a range of funds which include multi-asset, multi-manager and specialist third party liability matching funds. AIL selects the underlying asset managers to manage investments on behalf of the Trustees.

The Trustees have reviewed the AIL Annual Stewardship Report and is content that AIL is using its resources to appropriately influence positive outcomes in the strategies in which it invests.

AIL have undertaken a considerable amount of engagement activity over the period. AIL held around 35 Environmental, Social and Governance (“ESG”) specific “deep-dive” meetings in 2020 with most of their equity and fixed income managers across all delegated funds in which AIL’s clients invest. At these meetings, AIL discussed the voting and engagement activities undertaken by the asset managers during calendar year 2019, highlighting areas of improvement and discussing manager strategy in the area of RI moving forward. Similar meetings have been ongoing through the beginning of 2021.

Aon also actively engage with asset managers and this is used to support AIL in their fiduciary services.

Engagement example:

Aon's Engagement Programme maintained a dialogue with a leading investment manager on behalf of many of their clients which invest with the manager. At the end of 2020 Aon had a discussion with the manager's Global Head of Stewardship about numerous areas of concern regarding stewardship, in particular the manager's ability to demonstrate commitment to publicly stated climate change goals.

Aon's analysis of the manager's voting actions showed that the manager had not been voting in a manner consistent with their public pledges on sustainability issues. The manager acknowledged that there was a disconnect between voting decisions made in the first half of 2020 and their commitment to sustainability, but that they had markedly changed their voting policies in the second half of 2020. The manager reassured Aon that in future voting decisions would better align with their stated positions on ESG matters. Aon expect to see this reflected in voting actions by mid-2021.

The manager has since provided further information on how they are updating their policies in a manner consistent with their strategy of intensifying engagement on sustainability.

Aon will continue to monitor and engage with the manager, scrutinising their voting and engagement actions. Aon is encouraged that the manager plans to strengthen their influence with invested companies to better effect.

Voting and engagement – Underlying Asset Managers

The Scheme is invested in a number of equity, fixed income and liquid alternative funds through its investment in Aon's Delegated Consulting Services. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material managers over the reporting period.

Voting and engagement – Equity

Over the year, the Scheme had exposure to the AIL Managed Growth Strategy Fund, through its investments in the Nominal +3, Real +3, Nominal +1 and Real +1 funds. The material equity investments to which the Scheme had exposure over the year were:

- Legal and General Investment Management ("LGIM") Multi Factor Equity Fund
- BlackRock Emerging Markets Equity Fund

Voting Statistics for the year ending 5 April 2021

	LGIM Multi Factor Equity Fund*	BlackRock Emerging Markets Equity Fund*
Number of resolutions which the fund was eligible to vote on	15,664	23,180
% resolutions voted on for which the fund was eligible	99.9%	96.8%
% that were voted against management	18.0%	9.2%
% that were abstained from	0.2%	2.8%

*Voting statistics are for the year ending 31 March 2021

LGIM Multi Factor Equity Fund ("LGIM")

LGIM Voting Policy

LGIM make use of the Institutional Shareholder Services ("ISS")'s proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what they consider to be the minimum best practice standards all companies should observe. LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Voting Example

At an extraordinary general meeting ("EGM") on 18 September 2020, LGIM voting against the resolution to amend the directors' remuneration policy proposed by Pearson. This resolution sought shareholder approval to grant a co-investment share award, an unusual step for a UK company; if this resolution was not passed the proposed new Chief Executive Officer ("CEO") would not take up the role. Many shareholders were keen for the company to appoint a new CEO but were not happy with the plan being proposed. Shareholders were not able to vote separately on the two distinct items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the Chair of the Board earlier in 2020 on the Board's succession plans and progress for the new CEO. LGIM discussed the shortcomings of the company's remuneration policy. LGIM also spoke with the Chair directly before the EGM and relayed their concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy

The outcome of the vote was that 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.

The vote was deemed significant as LGIM voted against management and the unusual approach taken.

LGIM Engagement Policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

Engagement example:

An example of LGIM's engagement was with Proctor and Gamble ("P&G"). P&G uses both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of their suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by another stakeholder, Green Century Capital Management, that P&G should report on their effort to eliminate deforestation in their supply chain. LGIM engaged with P&G, Green Century and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

From this engagement, LGIM decided to support the resolution as, although P&G introduced a number of measures to ensure their business does not contribute to deforestation, LGIM felt P&G was not doing as much as it could. LGIM has asked P&G to respond to the CDP (formerly Carbon Disclosure Project[1]) Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from Forest Stewardship Council certified sources.

[1] https://www.cdp.net/en

More detail on this stewardship example can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf

BlackRock Emerging Markets Equity Fund ("BlackRock")

BlackRock Voting Policy

BlackRock use ISS's electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. BlackRock's voting decisions are informed by internally-developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Over 2020, BlackRock increased their level of reporting by publishing more voting bulletins with detailed information and rationale for voting decisions. These specific significant votes are chosen by BlackRock based on a number of criteria such as level of public attention, and impact of financial outcome.

Voting Example

In December 2020, BlackRock voted against the management proposal to approve an Equity Interests and Assets Transfer Agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited. In September 2020, Yanzhou Coal proposed to acquire the equity interests held by Yangkuang Group. The key assets to be acquired included a coal liquefaction project, a supporting coal mine and a coal-fired power plant.

BlackRock noted Yanzhou Coal's rationale for making the acquisition, namely to expand its coal chemical business and to extend the industrial chain for profit enhancement. Nevertheless, BlackRock believe it was in their clients' best long-term economic interests to vote against the proposed acquisition due to two primary concerns: 1) The underlying valuation for the terms of the transaction and 2) Management's oversight of the increasing uncertainty of the role of coal in the future and the potential stranded asset risk.

On the latter, BlackRock are cautious about the potential stranded asset risks at Yanzhou Coal. The coal-fired power sector in China is facing numerous challenges such as tightened emission standards, overcapacity, as well as declining utilization hours. Therefore, such an acquisition could exacerbate the company's stranded asset risks and delay progress to achieve the company's decarbonization targets.

BlackRock communicated the above concerns with management and requested the company consider reporting on its approach to the energy transition in alignment with the recommendations of the Task Force on Climate related Financial Disclosures ("TCFD"). BlackRock continue to closely monitor Yanzhou Coal's progress on sustainability reporting and engage to advocate for business practices aligned with long-term value creation.

More detail on the vote rationale can be found at the vote bulletin here:

https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-yanzhou-coal-dec-2020.pdf

BlackRock Engagement Policy

The BlackRock Investment Stewardship Team's stated key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management.

Over 2020, BIS had over 3,500 engagements — an increase of 35% against 2019 – with 2,110 unique companies, covering nearly 65% by value of their clients' equity investments. They also had 936 engagements on the impact of COVID-19.

More information, including case studies, can be found in the BlackRock Investment Stewardship Annual Report 2020: https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020-calendar-year.pdf

Engagement Activity – Fixed Income

Whilst voting rights are not applicable to non-equity mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and there is therefore a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Additionally, the Trustees consider downside risk mitigation and credit quality to be a critical part of investment decision-making.

The following section details examples of engagement activity carried out by appointed underlying fixed income managers within the Managed Growth Strategy.

Robeco

Over the last few years, Robeco has engaged a number of times with senior employees of a multinational oil company. The focus of the engagement was to encouraging the company to take action to contribute towards preventing global warming rising above 2 degrees Celsius, as then the world, and therefore industries, will be increasingly exposed to significant transitional and physical risks, both acute and chronic.

In 2020, the company announced their aim to reduce the net carbon footprint of its energy products by around half by 2050. Robeco was supportive of these goals but continued to encourage the company to set short term targets and link these to remuneration packages. In addition to announcing their long-term goal, Robeco agreed a joint statement with the company who agreed to start setting shorter term targets. Robeco believes the company now leads the sector in terms of their planning and positioning for energy transition as they look to move to lower carbon products and solutions.

BlackRock

At BlackRock, their firm-wide engagement program also benefits investments in corporate bonds issued by companies. BlackRock Investment Stewardship (“BIS”) is positioned as an investment function, which allows for the mutual exchange of views with active portfolio management teams across equity and credit. In addition, BlackRock’s Global Fixed Income Responsible Investing team may partner with the BIS team to reflect on ESG related topics from fixed income investors as well to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where BlackRock hold a significant exposure in fixed income portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers or is highlighted by their credit research.

An example of an engagement by BlackRock was with Exxon. BlackRock discussed several engagement topics with the company such as governance structure, corporate strategy, environmental risks and opportunities. This included questions on the company's approach to the European regulatory environment, their views on electric vehicle penetration as a risk to their business, and their risk management in relation to physical climate change risks.

Engagement Activity – Liquid Alternatives

Over the year, the Scheme had exposure to alternatives such as insurance linked securities and gold. This section details examples of policies and practices at Leadenhall Capital Partners (“Leadenhall”), the appointed underlying insurance linked securities manager.

Leadenhall assesses adherence to ESG principles by considering specific factors including:

- Environmental impact including pollution prevention and remediation, reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards.
- Social impact including human rights, welfare and community impact issues.
- Governance issues including board structure, remuneration, accounting quality and corporate culture.

Pricing for climate change risk is an inherent part of Leadenhall’s analysis of potential investments. MS Amlin, part of Leadenhall’s parent group and a reinsurer with sourcing and underwriting resources that Leadenhall leverages, is very active in monitoring, studying and looking at ways to tackle climate change. They are a Member of the

Cambridge Institute for Sustainability Leadership and ClimateWise. Through this, MS Amlin aims to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap.

Leadenhall perform a detailed review of their investment counterparties policies and controls including those concerning their explicit ESG and Corporate Social Responsibility frameworks. Where appropriate they will make recommendations to avoid investment counterparties who are not aligned with ESG policies.

DC section

The Trustees have taken a proportionate approach to the disclosures on these arrangements because the assets under management are small, relative to the assets held in the DB section of the Scheme. As a result, we have not requested any voting or engagement examples from the asset managers for the DC section funds.

The asset managers of the DC section are LGIM and Aberdeen Standard Investments ('ASI').

The DC section invested in the following funds over the year to 5 April 2021:

- LGIM UK Equity Index Fund
- LGIM Global Emerging Markets Equity Index Fund
- LGIM Global Equity Fixed Weights (50:50) Index Fund
- LGIM Pre-retirement Fund
- ASI Standard Life Global Absolute Return Strategies

LGIM

Please refer to the DB section above for details of LGIM’s voting and engagement policies.

ASI

ASI make use of ISS for proxy voting research and voting recommendations. This is alongside ASI's own analysis from AGMs and other shareholder meetings. ASI seek to discuss any vote against a resolution with the company before, explaining the reasons for doing so.

More detail on ASI specific votes can be found here: Voting | ASI (aberdeenstandard.com)

ASI state that they seek to generate the best long-term outcomes for clients and will actively take steps as stewards and owners to protect and enhance the value of their clients' assets. ASI generally meet representatives of investee companies at least once a year, while also routinely engaging on voting issues. If necessary, ASI will escalate an issue to ensure their views are represented by those with appropriate seniority and experience.