

IMPLEMENTATION STATEMENT FOR THE H E STRINGER LIMITED RETIREMENT BENEFITS SCHEME

MARCH 2021

1. Introduction

This is the Implementation Statement for the H E Stringer Limited Retirement Benefits Scheme ('the Scheme') and reflects the position as 31st March 2021. This Implementation Statement should be read in conjunction with the Statement of Investment Principles (SIP) and is an integral part of the SIP.

The SIP, dated September 2020 reflects the Trustee policies relating to responsible investment, including both financial and non-financial matters that the Trustee considered. This included Environmental, Social and Governance (ESG) considerations. Stewardship was also considered, i.e. voting and engagement, together with the ability of the Trustee to influence the actions of their investment managers.

The selection of investment manager is considered, including their objectives, fees and their basis of charging and how that aligns with the interests of the Scheme, ensuring there are no conflicts of interest. The investment is an integral component of the package of services obtained by the principal Employer when the Trust was instigated. duration of each manager appointment is also considered, together with the ability to terminate their appointment, and any conditions of that termination, should this prove necessary.

2. Investment Objective

This is effectively outlined in the SIP and remains as stated, with specific achievement for the default Prudential With-Profits Fund to deliver a smoothed return, thereby avoiding the worst of market volatility and that is appropriate for the majority of members accessing benefit at retirement under the flexible pension arrangements.

3. Investment Strategy

The Trustee continues to implement the strategy as outlined in the SIP and as updated from time to time.

4. Setting the Investment Arrangements

In Managing the assets of the Scheme, the Trustee owns a policy of assurance. As the Grantee of the policy the Trustee has the benefit of the protection offered under the Financial Services Compensation Scheme (FSCS) and the terms of the specific policy of assurance.

The Trustee holds a With-Profits policy with Prudential. The rights of the policyholder are concerned only with participation by the Grantee in the long term business fund of Prudential on a With-Profits basis. The Trustee does not have any right or means to influence any investments that the Prudential may themselves make in operation of their long term business fund. The Prudential have the

responsibility for managing the policy of assurance that the Trustee owns and for delivering benefits, including adjusting value by declaring an annual bonus in accordance with the terms of the policy.

In setting the investment arrangement, the wide range of asset classes within the Prudential With-Profits Fund was considered as was the acceptable annual management charge. During the past 12 months the Trustee has received information and advice on how to achieve their objectives and how to access appropriate investment funds in a secure way.

5. Implementation of the Investment Arrangements

The arrangements are assessed on an ongoing basis at Trustee meetings and by the Trustee's Investment Adviser. This may in part be by face to face meetings where it is practical to do so.

The Trustee is aware of the need to consider the impact of costs and value for money on the long-term performance of the investments in pooled funds. It is noted that the charges of the With-Profits Fund are implicit this being comparable to how with-profits funds work. The Trustee is aware of the bonus release mechanism that the policy uses as well as the risks relating to any future levels of both the annual and terminal bonus.

6. Realisation of Investments

Investments are reviewed on a regular basis in the light of cash flow requirements. The pooled funds may be accessed on a daily basis and the Trustee believes that this supplies adequate liquidity for the Scheme.

7. Investment Governance and Financially Material Considerations

The matter of investment and investment governance in a widest sense is taken seriously by those who manage the Scheme (The Trustee). To this end the Scheme has a Statement of Investment Principles (SIP), which is considered and reviewed periodically as appropriate.

The SIP was agreed in 2020 and that followed in-depth consideration of the environmental, social and governance requirements, considering both financial and non-financial aspects, in respect to the asset types as required in the long term for the Scheme as it matures. The Scheme is investing appropriately against this background and there has not been a need to make further amendments although the Trustee has kept this position under review.

Those that manage the Scheme collectively have the necessary qualifications and experience appropriate to a Scheme of this size. They meet regularly as required by the business of the Scheme, including investment business. Investment matters are on the agenda for all Trustee regular meetings. The Scheme has access to professional advisers including, but not limited, to an Investment Adviser, Actuary, and Lawyer.

8. Approach to Non-Financial Matters

The Scheme invests in a packaged service that invests in pooled pension funds. This is appropriate to a Scheme of this size and brings added security in that the assets are covered by the Financial Services Compensation Scheme (FSCS).

The Scheme will always prefer an investment that is beneficial to society and the environment over one that is not. In making such a statement the managers of the Scheme are noting that by using pooled investment vehicles they are not the direct owners of the underlying assets. They do however have access (sometimes limited by availability of information) to a copy of the content of the underlying portfolios of the pooled investment managers.

9. Strategic Asset Allocation

During the past 12 months the Scheme has followed the allocation as outlined in the SIP. Those that manage the Scheme continue to consider that the asset allocation is appropriate and have considered this at their meetings in the year.

10. Mandate Parameters

The Scheme has selected pooled pension funds with specific objectives. Each of the pooled funds that the Scheme is invested in has its own specific objective and in selecting these funds the managers of the Scheme received investment advice from a financial adviser of appropriate standing and experience and working for an organisation registered with the Financial Conduct Authority.

When reviewing the investments during the year it was noted that the pooled funds were being managed to their objectives and that the results were as the Scheme expected. The financial standing of the manager of the pooled funds has been considered and noted that it continues to be appropriate. The manager of the pooled funds that the Scheme participates in is required to report to the Prudential Regulatory Authority (PRA) who in turn supervise the solvency of the manager on behalf of the Bank of England.

The Scheme has considered this position during the year and remains comfortable with the approach in place, including the capital structure and financial standing of the investment manager that the Scheme invests with. Specifically, the Trustee takes considerable comfort at investing via a policy of assurance and the protection that brings.

11. Voting Rights and Description of Voting Behaviour During the Year

Participants in pooled investment funds do not generally acquire rights over the underlying holdings of the pool. There is no direct relationship between the Scheme and the companies whose shares are held within the pooled investment funds that the Trustee uses. In effect this means that the manager of the pool exercises voting rights on our behalf (as a participant in the pool) but without any obligation to consult with the Trustee. The Scheme does not use a proxy voting service, in practice it does not have the right to exercise votes at the general meetings of companies held within the pooled investment funds. Generally, other than for matters of financial

reconstruction, holders of gilts, bonds, physical property and other alternative investments may not have voting rights.

Where the Scheme holds units of investment in pooled equity funds the Scheme is able to see how the manager has voted in the summary stewardship reports that the manager may produce for information. These matters are currently only reported at overall manager level and not in a specific way in respect to the funds that we invest in. This may change in the future and the Scheme is aware that there are many initiatives in the investment markets generally to improve access information and reporting in this area.

Other than via our Investment Adviser, it is challenging for the Scheme to influence the manager of a pooled fund on matters of voting for individual companies. The Scheme does however take its responsibilities seriously in this area and notes that it always has the option to divest from the manager if, in the view of the Scheme, expressed by those who manage it, this was deemed appropriate. Set against this is an overall fiduciary responsibility of the Trustee as to management of the Scheme assets.

In future years we are expecting managers to provide us with further summary stewardship reports that highlight key voting issues, particularly around matters of diversity and the environment as regards the underlying holdings in the relevant pooled fund portfolio. Such reports are available for example [Responsible Investing at M&G Investments - M&G plc \(mandgplc.com\)](https://www.mandgplc.com/Responsible-Investing)

12. The Trustee

At each of their meetings where their Investment Adviser is present, the Trustee has received an investment presentation on the strategy that they are pursuing and the pooled funds that they participate in. This has included some comment on ESG and where available the wider voting record of their investment manager.

The Trustee group includes experienced individuals with relevant qualifications and practical working experience of investment matters and governance. This method of operation facilitates an excellent understanding at Scheme level of the requirements when exercising 'good governance'.

13. Trustee Knowledge and Understanding

The Trustee Directors undertake Trustee Knowledge and Understanding training including at Trustee meetings. In addition, Winterbourne Trustee Services is a specialist professional Independent Trustee, and is the professional trustee appointed to the Scheme. As a firm of professional trustees, Winterbourne brings its long experience and specialist pensions and investment knowledge to what is now a very complex and increasingly legislated area.

14. Processes around Managing Scheme Investments

Having set the strategic parameters this process has revolved mainly around managing cash flow during the year. In this respect, where funds have been required for retirements or member transfers, the Trustee has taken appropriate advice and sold unit holdings for each member in an appropriate way.

15. Holding Advisers and Managers to Account

The Scheme is managed by the Trustee and in turn advice is taken where required. Those that act as advisers to the Scheme have objectives to deliver service as required and the Trustee group consider the success of this on an ongoing basis. The Investment Adviser has objectives in place that will be reviewed in 2021.

No action has been necessary during this year in respect of shortcomings of advisers or service providers to the Scheme. The Trustee notes that the management of a Scheme such as this can be a challenging matter, and that in particular budgets must be appropriate. These matters are regularly considered with assistance from the principal employer and the Trustee considers that overall the Scheme functions well, achieving good value from its service providers and good value for its members.

16. Manager Selection, Review and Monitoring

The Scheme has made no change in its holding of pooled funds during the year. This is intentional. Change can be relatively expensive due to implicit dealing costs in the underlying assets and although not fully transparent such costs are apparent in wholesale rearrangement of assets. The Trustee seek to avoid such costs.

17. Transparency

The nature of the With-Profits policy is that it is not fully transparent. In many ways this is an important feature as the smoothing actions provide a constant release on investment return.

Other assets held by the Scheme are more transparent and it is anticipated that in future years all transaction costs on the underlying assets of the pooled funds that the Scheme owns assets in will be available for general publication. We are aware that the investment industry is considering how to report on such matters and are therefore waiting for more information in this area.

18. Conclusion

The Scheme has managed its assets successfully throughout the period under review. This Implementation Statement should be read in conjunction with the SIP and is supported by ESG and voting information as supplied to the Investment Adviser for the Scheme by the managers of the pooled funds that the Scheme participates in.

19. Further Information

If further information is required on any of the matters covered in this Implementation Statement please contact the Trustee, Winterbourne Trustee Services, or the Principal Employer.

March 2021