



# The Sanderson Group Retirement Benefits Scheme Implementation Statement

for the Year to 31 March 2023

# Background and Implementation Statement

## Background

The Department for Work and Pensions (DWP) has introduced regulation to improve disclosure of financially material risks for UK pension schemes. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and pension schemes need to consider how these factors are managed as part of their fiduciary duty.

The regulatory changes require that pension schemes detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an implementation report.

## Statement of Investment Principles (SIP)

The Trustee of The Sanderson Group Retirement Benefits Scheme (“the Scheme”) have updated their SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address below and changes to the SIP are detailed on the following pages.

<https://www.civica.com/globalassets/7.document-downloads/2.uk-docs/corporate/sanderson--sip-2020-final.pdf>

## Implementation Statement

This Implementation Statement provides evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the reporting year up to 31 March 2023 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

## Summary of key actions undertaken over the Scheme’s reporting year

- During the reporting year, no changes were made to the strategy.
- Post year end, the SIP will be updated to include additional Voting and Engagement policies to reflect the recent DWP regulatory requirements.

## Implementation Statement

This statement demonstrates that The Sanderson Group Retirement Benefits Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

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# Managing risks and policy actions

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, and the Trustee's policies for managing these risks are outlined in the Scheme's SIP.

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustee is currently considering increasing the level of interest rate and inflation hedging from the Scheme's investment strategy.	Over the reporting period, the Scheme had allocations to both Equity-Linked LDI and LDI funds, which aim to hedge part of the Scheme's inflation and interest rate risk.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Scheme's assets are traded on a daily frequency, providing sufficient liquidity.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where practicable.	The Scheme is invested in various funds across asset classes, therefore diversifying this risk.
Environmental, Social and Governance	Exposure to ESG factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> <li>5. UN PRI Signatory</li> </ol> <p>The Trustee has delegated day-to-day responsibility of incorporating ESG factors to the Scheme's investment managers.</p>	<p>As part of the investment management of the Scheme's assets, the Trustee expects the investment managers to make decisions on:</p> <ul style="list-style-type: none"> <li>• The selection, retention and realisation of investments taking into account all financially material considerations.</li> <li>• The exercise of rights (including voting rights) attached to these investments.</li> <li>• Undertaking engagement activities with investee companies and other stakeholders where appropriate.</li> </ul>

Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP denominated share classes where possible.	All the Scheme's investments are in GBP denominated share classes.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No actions taken over the period.

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# Changes to the SIP

There were no changes to the SIP during the reporting year. Post year end the SIP will be updated to include additional Voting and Engagement policies to reflect the recent DWP regulatory requirements. Please see below for details of the new policies that are being included.

## Policies to be added to the SIP post reporting period

Voting Policy - How the Trustee expects investment managers to vote on their behalf.

- The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'.

- The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
- The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a risk as it potentially could have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. This section details how the Scheme's ESG policy is implemented.

The assets of the Scheme are invested in pooled vehicles and the Trustee accepts that pooled investments will be governed by the individual policies of the investment manager. These policies are reviewed as part of the consideration of pooled investments. As such, the Trustee has given their investment managers full discretion in evaluating ESG factors, including climate change considerations, 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 is increasingly considering how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring the existing investment managers. The Trustee will consider the ESG ratings provided by their Investment Advisor and/or platform provider on how the investment manager embeds ESG factors into its investment process. A change in ESG rating (or lack of ESG rating) does not mean that the fund will be removed or replaced automatically.

## Implementing the current ESG policy

The following table outlines the areas by which the Scheme's investment managers are assessed on when evaluating their ESG policies. The Trustee will review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights.	The Trustee receives information from its investment advisors/platform provider on the investment managers' approaches to engagement.	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustee's policies in this area.</p>

# Engagement and Voting

The Trustee has appointed Mobius Life as the platform provider which implements policies on their behalf. Mobius Life has adopted the managers' definitions of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and Mobius Life has shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, Mobius Life informs the managers what they deem most significant.

Please see attached document from Mobius Life for details on engagement and voting actions including a summary of the activity, covering the 12-month period ending 31 March 2023.

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