

Exeter and Devon Airport Limited 1991 Pension Scheme

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles (SIP) dated 11 May 2020 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 April 2020 to 31 March 2021.

Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
Global equities	LGIM Global Equity Fixed Weights (50:50) Index Fund - GBP Hedged	20.0%
Multi-asset	LGIM Dynamic Diversified Fund	25.0%
Multi-asset income	Aegon Diversified Monthly Income Fund	25.0%
LDI solution	LGIM Matching Core Funds	30.0%
Total		100.0%

Strategy Review

There have been no changes to the investment managers or target asset allocation over the year.

Scheme Governance

The Trustee is responsible for making investment decisions, and seeks advice as appropriate from Broadstone, as the Trustee's investment consultant.

There were no changes to the objectives put in place for Broadstone which were last reviewed in December 2019. The Trustee is due to formally review these objectives by December 2022, or earlier.

There were no changes to the investment management agreements with LGIM and Aegon during the year.

Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in May 2020, which was updated to take account of the updated investment strategy that was implemented in January 2020.

The Trustee has a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

The Trustee's policies on financially and non-financially material considerations, as well as engagement and voting activities were not updated in the SIP in force during the year.

There were no departures from the policies set out in the SIP, including the Trustee's policies on financially and non-financially material considerations, during the year.

Policy on financially and non-financially material considerations

Trustee's Policy: The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustee has an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustee does not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time. The Trustee receives information from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee regards the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustee will continue to monitor market developments in this area with its investment adviser.

There have been no changes to the Trustee's policy, nor any departures from its policy, during the year.

The Trustee notes that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustee is satisfied that the funds currently invested in by the Scheme are managed in accordance with its views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

The Trustee has access to updates on governance and engagement activities by the investment managers, and input from its investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustee acknowledges that it is delegating the consideration of financially material factors in relation to determining the underlying holdings to its investment managers, given it is investing in pooled funds.

A summary of the Trustee’s views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Global equities	Passive	The Trustee acknowledges that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustee expects the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Multi-asset / Multi-asset income	Active	The Trustee expects the investment managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustee also expects its investment managers to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
LDI	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Policy on the exercise of voting rights and engagement activities

Trustee’s Policy: *Responsibility for engagement with the issuers of the Scheme’s underlying investment holdings and the use of voting rights is delegated to the Investment Managers. The Trustee can therefore only influence engagement and voting policy indirectly.*

The Investment Managers provide, on request, information to the Trustee on their actions in relation to engagement and use of voting rights. The Trustee is therefore aware of the policies adopted by the Investment Managers.

There have been no changes to the Trustee’s policy, nor any departures from its policy, during the year. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme’s investments.

The Trustee currently invests in pooled investment funds with the investment managers, and they acknowledge that this limits its ability to directly influence each investment manager.

The Trustee has employed Broadstone to assist them in monitoring the voting and engagement activities of its investment managers, and a summary of this activity is provided to the Trustee each year. The Trustee, with the assistance of Broadstone, concluded that the voting and engagement activity of its investment managers was in line with their policy on voting and engagement.

To complement this monitoring, the Trustee receives stewardship and governance reports from Aegon on an annual basis, and from LGIM on a quarterly basis.

Within the current investment arrangements, the LGIM Global Equity Fixed Weights (50:50) Index Fund - GBP Hedged, the LGIM Dynamic Diversified Fund and the Aegon Diversified Monthly Income Fund contain equity holdings. Therefore, these funds have voting rights attached to these underlying equities.

One of the investment managers uses the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. Where an investment manager uses the voting policy of a third-party proxy voter, the third party proxy voters used are confirmed in the table below.

The Trustee has delegated engagement activities to its investment managers, and each investment manager reports quarterly to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings.

A summary of the votes made by the investment managers from 1 April 2020 to 31 March 2021 on behalf of the Trustee (where the investment owns equities) is provided in the table below. The analysis is based on the latest information available from each investment manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
LGIM	Pooled	Not used – in house	67,905	81%	18%	1%
Aegon*	Pooled	ISS	558	63%	20%	17%

*Aegon resolutions do not duplicate resolutions with multiple votes.

The voting activity set out above is presented at the company level, rather than being scheme or fund specific. The Trustee will work with its investment managers to obtain more detailed fund-specific voting information in future years.

The Trustee has requested details of the significant votes made on behalf of the Trustee (where voting rights are attached). Details of these significant votes are provided below, together with engagement activities where voting rights are not held by the investment manager. The notable engagement activities of the investment managers are provided below:

- LGIM** put forward a proposal to Amazon emphasising the important role that worker representation plays in supporting companies. This is in direct response to accusations against Amazon concerning its interference with efforts by its workers to unionise. As a consequence of these actions, Amazon has launched its Global Human Rights Principles, which recognise the fundamental rights of workers to organise, and commissioned a human rights impact assessment (with an external consultant). LGIM is continuing to engage with the company to ensure that Amazon's commitments to upholding human rights are maintained.

- **Aegon** voted against HSBC’s proposal to abolish the practice of taking a state deduction from the pension paid to members of the defined benefit section of the Midland Bank pension scheme (which affects 51,000, or 25%, of staff). Aegon concluded the proposal, estimated to cost around £450 million, would not benefit all members equally, particularly newer employees who are part of the defined contribution scheme.

The Trustee is comfortable with each investment manager’s approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustee also considers the investment managers’ policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustee receives performance reports on a quarterly basis from LGIM, valuation statements from Aegon on a monthly basis, together with performance reports from Broadstone on a half-yearly basis to ensure the investment objectives set out in their SIP are being met.

Signed: _____ Colin Marsh

Date: _____ 28th September 2021

On behalf of the Trustee of the Exeter and Devon Airport Limited 1991 Pension Scheme