

MIDDLESEX GROUP LIMITED PENSION FUND AND LIFE ASSURANCE SCHEME

IMPLEMENTATION STATEMENT

Good member outcomes require effective investment governance and decision-making. To support this, new requirements have recently been placed upon trustees by the Department for Work and Pensions (DWP), which asks them to publicly disclose their Statement of Investment Principles (SIP), and state how these principles have been implemented. Since October 2019 the SIP must include the trustees' policies on financially material environmental, social and governance (ESG) factors.

Requirement for implementation statement

Since 1 October 2020 scheme trustees have been required to provide an implementation statement to be enclosed with scheme accounts produced/signed after this date. The key requirements of the implementation statement are as follows:

- Details of how and the extent to which, in the opinion of the trustees, the SIP has been followed during the year in relation to voting and engagement.
- Description of voting behaviour (including most significant votes by, or on behalf of, the trustees) and any use of a proxy voter during the year.

The trustees understand the above reference to 'year' being the relevant accounting year, so for the purpose of this statement, the 12 months to 5 April 2021.

Trustee confirmations

During the 2019/20 scheme accounting year the trustees updated the previous Statement of Investment Principles to include the following wording:

With respect to ESG risks

The trustees recognise that they need to take account of financially material considerations over the appropriate time horizon of the investments, including (but not limited to) ESG considerations, including climate change. In this regard the trustees obtained details from the investment manager (Mattioli Woods) with respect to its categorisation of holdings for ESG purposes and will monitor this aspect going forward. In turn this will enable the trustees to take into-account ESG issues when considering any new holding being recommended (noting that the trustees could request an alternative recommendation on ESG grounds).

With respect to stewardship of investments

The trustees have obtained, from the investment manager, confirmation of its approach to the stewardship of investments. This is covered by the manager's statement of compliance with the UK stewardship policy and its proxy voting policy. Having considered the approach as set out in this documentation, the trustees feel that this is in line with their own wishes/desired approach. Accordingly, the trustees intend to continue to monitor the investment manager's approach (annually) to include that it remains aligned with their own.

In support of the above, enclosed with this implementation statement is a copy of Mattioli Woods' statement of compliance with the UK stewardship policy, as well as its proxy voting policy.

During the financial year in question the scheme's assets (outside of immediate cash flow) were held in the 'FP Mattioli Woods Balanced portfolio'. In this regard the trustees enclose with this statement a copy of Mattioli Woods' voting record for the year to 31 March 2021 (for the Balanced portfolio). The trustees note that during the period in question Mattioli Woods' policy was to act only on holdings where it held (as an investment manager) more than 1% of the total market value of the investment. Mattioli Woods' voting policy has changed since the end of the period, and accordingly the trustees will be reviewing this accordingly.

Additionally, in September 2020 the trustees updated the scheme's Statement of Investment Principles, replacing the previous wording with regard to ESG risks and stewardship with the following wording:

With respect to voting rights and engagement activities

The trustees leave the extent to which social, environmental (including climate risk/opportunities) and governance are taken into account in investment decisions to the discretion of the underlying investment managers. The trustees will regularly review the extent to which social, environmental or ethical considerations are taken into account in investment decisions with their investment adviser and its impact in relation to financially material considerations, including climate change. The trustees' policy is to encourage the exercising of rights (including voting rights) attaching to investments, but responsibility for exercising such rights is delegated to those managing the investments. The trustees will annually review the effectiveness of their investment adviser's stewardship in relation to this policy, or more frequently should circumstances require. Mattioli Woods, as part of their due diligence process in selecting investments have established a red, amber and green status with regard to the extent that the underlying manager utilises an environmental, social and governance framework in making their underlying investment decisions.

This is formally updated annually and provided to the trustees to review and consider engagement activities with relevant parties on relevant matters.

The trustees accept that the assets invested in pooled funds are subject to the underlying investment managers' policies on corporate governance. The trustees are satisfied that this corresponds with their responsibility to invest the assets in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of their members and beneficiaries.

The trustees note that members' views on non-financial matters, including their ethical views in relation to social and environmental impact and present and future quality of life, will not be sought; however, they will be considered if raised by the membership.

In summary, the trustees' policy in relation to their arrangement with any asset manager is explained as follows:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies

The trustees accept that the assets invested in pooled funds are subject to the underlying investment managers' policies; therefore, the asset manager will not be able to directly align their strategy with the trustees' policy.

- How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;

By using pooled funds, the trustees are able to disinvest and realise their funds from a specific asset manager without penalty or delay, should they underperform or act outside the trustees' investment objectives, stewardship and environmental, social and governance requirements.

- How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies

- How the trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range; and the duration of the arrangement with the asset manager.

The trustees delegate the review of portfolio costs and investment performance monitoring to their investment adviser. Their investment adviser reports regularly (no less than quarterly) and makes recommendations that incorporate analysis of these factors as part of their agreement with the trustees.

In conclusion

Finally, the trustees can confirm that they have also arranged for the latest Statement of Investment Principles to be made available via a publicly accessible website (in this case via the company's sponsor's website).

The trustees are happy that the above meets the requirements of the first implementation statement and are also aware that this document will also need to be made available via a publicly accessible website (by 1 October 2021).

Enclosures: Mattioli Woods' statement of compliance with the UK stewardship policy document, and proxy voting policy document, and voting record for the year to 31 March 2021 (for the FP Mattioli Woods Balanced Fund)



.....
For and on behalf of the trustees



.....
Date