

IMPLEMENTATION STATEMENT

30 April 2021

Altro Pension Scheme

Private and Confidential

Introduction

This SIP Implementation Statement ("the Statement") has been prepared by the Trustees of the Altro Pension Scheme ("the Trustees") in relation to the Altro Pension Scheme ("the Scheme").

This is the second such Statement to be produced by the Trustees as required by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended). The regulations state that the Statement must (amongst other matters):

- Set out how, and the extent to which, in the opinion of the Trustees, the stewardship and engagement policies outlined in the statement of investment principles ("SIP") have been followed during the year;
- Describe any review of, and explain any changes made to, the SIP during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) during the year.

Based on regulatory requirements, the Statement covers the period from 1st May 2020 to the end of the Scheme's financial year on 30th April 2021.

The Statement is split into three sections:

1. An overview of the Trustees' actions and highlights during the period covered;
2. The stewardship and engagement policies set out in the SIP and the extent to which they have been followed in the reporting period; and
3. The voting behaviour and significant votes undertaken by the fund managers on behalf of the Scheme.

Overview of Trustees' Actions

During the reporting period there were no changes to the Scheme's Strategic Asset Allocation ("SAA"), investment managers or the wider funding objective. However, post year-end, the Trustees took the decision to reduce the Scheme's risk by reducing its allocation to Aberdeen Standard Investments Diversified Growth Fund and allocating to Insight LDI. This decision was taken after strong return-seeking asset performance and brought the Scheme more in line with its agreed SAA as set out in the SIP.

Overall, the Scheme's agreed SAA reflects the Trustees' view of the most appropriate investments, balancing risk/reward characteristics of the funds the Scheme is invested in, to support the Scheme's full funding objective.

Changes to the SIP over the period

The Trustees are committed to reviewing the SIP on an annual basis. Over the reporting period, the Trustees carried out two reviews of the SIP. The first review, in June 2020, was to ensure compliance with regulatory changes. These regulatory changes incorporated the Shareholder Rights II Directive ('SRD II') into UK law and required defined benefit pension scheme SIPs to be updated to include further details on:

- The arrangements with investment managers, including how they are incentivised to behave and invest in line with the Trustees' policies and how the Trustees will monitor managers' performance, fees and portfolio costs;
- The Trustees' engagement policy, including the exercise of the rights (including voting rights) attached to the investments.

SRD II applies more widely than just to pension schemes and the directive aims to further encourage appropriate long-term investment decision-making and engagement.

The Trustees also carried out a review of the SIP in March 2021. There was one update made to reflect the agreed changes to the technical provisions discount rate in August 2020. The Trustees were comfortable the statement was an accurate reflection of the Trustees' policies and beliefs.

Stewardship, engagement and voting behaviour

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustees own shares and debt is carried out by the Scheme's investment managers. Other than cash held within the Trustees' bank account, the Scheme's assets are invested in pooled funds where the Trustees hold units in a fund rather than having any direct ownership rights over the underlying assets. As a result, the Trustees' investments are subject to the managers' stewardship activities and policies.

The Trustees' policy is to delegate responsibility for the engagement with relevant persons, which includes the exercising of rights (including voting rights) attaching to investments, to the investment managers. Each investment manager is expected to exercise voting rights in accordance with their guidelines. The Trustees encourage their managers to engage with investee companies and promote adherence to best practice in corporate governance. Periodically, the Trustees will either meet with the Scheme's managers directly, or ask their investment advisor to provide a thorough review. Managers are expected to provide details on these activities and the Trustees' investment advisor will take this into account when monitoring and advising on the suitability of each manager.

The use of voting as a form of engagement is most likely to be financially material in the sections of the portfolio where physical equities are held (Aberdeen Life Diversified Growth Fund and AQR Diversified Risk Premia). However, other forms of stewardship and engagement are considered to be of importance for all of the Scheme's investment managers (Insight Global ABS, Insight Bonds Plus 400, Apollo Total Return Enhanced Fund).

The following investment managers of the Scheme are signatories to the UK Stewardship Code: Insight Investment, Aberdeen Standard Investments. The Code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value. The Trustees are comfortable they provide good quality and transparent reporting of their approach to

stewardship. There are no immediate concerns with the fact that the other investment managers used by the Scheme are not signatories to the UK Stewardship Code. AQR Capital Management and Apollo Global Management both actively promote responsible investment principles and are clear and transparent in reporting their approaches to the Trustees and the investment advisor. More information on how each of the Scheme's managers have followed the stewardship and engagement policies set out by the Trustees can be found in the appendix.

Final Remarks

The Trustees are comfortable that the voting and engagement policies have all been adequately followed over the Scheme year, noting a number of recent changes to regulations in this area and the Trustees' policies themselves.

Appendix

In addition to requiring its managers to present on stewardship and engagement policies when the Trustees meet with them, the Trustees also require each manager to produce an annual statement on their stewardship approach. Direct responses from each of the Schemes investment managers can be found below.

Insight

"Insight retains the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva Analytics provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world.

"Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Where contentious issues are identified, these are escalated to Insight for further review and direction."

"A key element of stewardship is proactive engagement with companies to ensure accurate analysis and to influence them to improve their practices. This engagement with issuers is a key part of our credit analysis and monitoring, and complements our approach to responsible investment. Given the size and depth of our credit analyst resource, one of the key inputs into our ESG analysis is the direct information which we receive from companies via engagements that take place with them

"Each analyst identifies the engagement issues relevant for each specific issuer. Insight will use ESG ratings and our proprietary carbon model to engage so-called 'laggard' companies. Meetings with company management provides the most effective and timely opportunity to raise these issues. If Insight does not already have regular meetings with a company's management, our investment teams are encouraged, in the first instance, to request a meeting with them. Where this is not possible, or additional action is deemed appropriate in order to further the interests of our clients, we may consider raising the issues with the company's broker or, if appropriate, the chairman. Further to this if we do not receive a response from the issuer regarding engagement then we will lead on a wider collaborative initiative, via the PRI or by engaging with other investors, to achieve greater influence over the issuer.

"These engagements inform the overall credit analyst views of the companies and provide a platform not only for both increased transparency around ESG issues, but also ongoing engagement to change company behaviour where appropriate."

Apollo

"Where one or more ESG risks present a significant risk to an issuer's long-term financial performance, Apollo raise the issue directly with an issuers' management team or board of directors, if possible and/or practicable.

"From time to time Apollo may use proxy voting advisors for guidance but ultimate voting discretion remains with the deal team / portfolio manager as described in Apollo's Proxy Voting Policy."

"At the industry level, Apollo actively promotes RI principles by participating in conferences and peer groups to discuss RI practices. For example, Apollo is a founding member of a GP ESG working group, which offers a forum for private equity firms to gather periodically to discuss RI trends and share best practices. Apollo has endorsed the American Investment Council's Guidelines for Responsible Investing, which translate the United Nations Principles for Responsible Investment into implementable guidelines for the private equity industry. Apollo is also a member of Business for Social Responsibility ("BSR"). In formalizing its RI policy and program, Apollo closely studies the United Nations Principles for Responsible Investment, the United Nations Global Compact Principles, and other relevant principles and guidelines."

AQR

"AQR's engagement is done at the firm level and is not yet explicitly incorporated into our investment strategies. Our engagement program is focused on transparency: it is our fervent belief that greater transparency is a positive outcome for all market participants and will lead to better alignment between companies and their investor base and more accurate pricing of ESG risks and opportunities. Engagement is not yet explicitly incorporated into our investment strategies."

"As a fiduciary, AQR owes its clients more than honesty and good faith alone. AQR has an affirmative duty to act in the best interests of its clients and to make full and fair disclosure of all material facts, particularly where AQR's interests may conflict with those of its clients. A member of AQR's compliance or legal team is present for all corporate engagement. We assure that all engagement is done with companies where AQR is a meaningful shareholder and where the economic interests of AQR's clients and the portfolio companies are aligned. For proxy voting against our proxy advisor's recommendation, compliance always runs a conflicts test to assure there are no conflicts of interest."

"AQR's ESG Stewardship Committee is responsible for monitoring and tracking AQR's engagement activities, ultimately reporting on these to AQR's ESG Steering Committee. AQR's engagement is focused on transparency: we believe that greater transparency is a positive outcome for all market participants and will lead to better alignment between companies and their investor base and more accurate pricing of ESG risks and opportunities."

Aberdeen Standard Investments

"We are committed to always acting in the best interests of our clients. We believe in active, constructive engagement. For both active and passive strategies, we vote all shares globally wherever we have authority. When engaging with companies from an ESG perspective, our goal is to understand how they are managing ESG risks. We are proud signatories to the Principles of Responsible Investment. When engaging with companies on ESG issues, we do so based on the principles set out by the UN Global Compact on human rights, labour, the environment and anti-corruption."

"Our aim is to generate the best long-term outcomes for our clients and we will actively take steps as stewards and owners to protect and enhance the value of our clients' assets. Stewardship is a reflection of this bespoke approach to good governance and risk management. We seek to understand each company's specific approach to governance, how value is created through business success and how investors' interests are protected through the management of risks that materially impact business success. This requires us to play our part in the governance process by being active stewards of companies, dynamically involved in dialogue with management and non-executive directors, fully

understanding the material risks and opportunities – including those relating to environmental and social factors and helping to shape the future success of the business.”

AQR Diversified Risk Premia Voting disclosure table

Voting criteria	
Value of Trustees’ assets	GBP 17,043,206.18 (30/04/21)
No of equity holdings at the end of reporting period	979 long equity positions.
No of meetings eligible to vote during the period	593
No of resolutions eligible to vote during the period	6,996
% of resolutions voted	95%
% of resolutions voted with management	93%
% of resolutions voted against management	7%
% of resolutions abstained	0%
% of meetings with at least one vote against management	24%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	0%
Any use of proxy voting services during the period	Yes (Institutional Shareholder Services)

Source: AQR

AQR does not differentiate between significant or non-significant votes. While AQR does not categorise votes (and generally vote all proxies), AQR’s portfolio companies may request reactive engagement on certain votes based on their assessment of significance.

Aberdeen Standard Investments Diversified Growth Fund Voting disclosure table

Voting criteria	
Value of Trustees' assets	GBP 27,343,373 (30/04/21)
No of equity holdings at the end of reporting period	575
No of meetings eligible to vote during the period	504
No of resolutions eligible to vote during the period	6,578
% of resolutions voted	99%
% of resolutions voted with management	86%
% of resolutions voted against management	11%
% of resolutions abstained	2%
% of meetings with at least one vote against, withhold or abstain	58%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	3%
Any use of proxy voting services during the period	Yes (Institutional Shareholder Services)

Source: Aberdeen Standard

Aberdeen Standard Investments views all votes as significant and as such does not differentiate between significant and non-significant votes.