

ARCADIA GROUP PENSION SCHEME

IMPLEMENTATION STATEMENT FOR YEAR ENDING 31 MARCH 2020

Introduction

This note is the Trustee's statement on behalf of the Arcadia Group Pension Scheme ("AGPS" or "the Scheme"), as required under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out the Trustee's policy regarding Stewardship and Engagement on behalf of the Scheme and outlines how the policy has been implemented over the year to 31 March 2020.

Stewardship and engagement policy

AGPS has a Statement of Investment Principles ("SIP") in which the Trustee's Stewardship and Engagement policy is summarised.

The Stewardship and Engagement policy sets out the process the Trustee will follow with regard to exercising voting rights and monitoring the stewardship and engagement activities of the Scheme's investment managers, as follows:

"To incentivise the medium to long-term non-financial performance of its investments, the Trustee will monitor the stewardship and engagement activities for each of its investment managers on an annual basis. The Trustee expects its investment managers to directly engage with issuers to improve the issuer's performance on a medium to long-term basis. The quality of each investment manager's approach forms part of the assessment of its ongoing suitability."

The Scheme's Stewardship and Engagement policy is reviewed on a regular basis as part of the review of the Scheme's SIP. The latest review of the Scheme's SIP took place in September 2020.

The Stewardship and Engagement policy for AGPS can be reviewed within the Scheme's SIP. A copy of the SIP can be found on the Scheme website: www.arcadiapensions.co.uk.

The Trustee has delegated all day-to-day decisions about the underlying investments that fall within each investment manager's mandate, including voting and engagement activity. The Trustee believes that encouraging its investment managers to directly engage with the management team of the companies in which they invest will improve the long-term non-financial performance of the Scheme's assets.

The Trustee's investment adviser maintains a regular dialogue with the Scheme's investment managers and monitors the investment managers' stewardship and engagement activities. The Joint Investment and Funding Committee ("JIFC") of the Scheme and its sister scheme, Arcadia Group Senior Executives Pension Scheme ("AGSEPS") is committed to incorporating the quality of each investment manager's stewardship and engagement activities in their review of the investment manager's performance.

The Trustee requires each of their investment managers to conform to the Scheme's SIP, including the Stewardship and Engagement policy and the investment adviser formally seeks confirmation from each investment manager on their compliance on an annual basis. The investment adviser has reviewed each investment manager's stewardship and engagement policies and is satisfied that these conform with the Trustee's policy over the year to 31 March 2020.

The Scheme has no exposure to equity investments, so there is no need to include details regarding the voting activity of the Scheme's investment managers. This also means there is no use of proxy voting advisers.

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IMPLEMENTATION STATEMENT FOR YEAR ENDING 31 MARCH 2020 (continued)

Engagement activity

As part of the Trustee’s policy on Responsible Investment and Stewardship, the Trustee expects its investment managers to identify and manage material environmental, social and governance (“ESG”) risks as part of the investment process and encourages the investment managers to directly engage with the companies they invest in on ESG matters.

Some examples of how the Scheme’s investment managers have incorporated ESG factors into the investment process and engaged with the companies in which it invests are set out in the table below:

Investment Manager	Investment/Issuer	Outcome
Arcmont	Financing to support the acquisition of an independent healthcare communications agency with global reach, supporting pharmaceutical and biotechnology companies in the commercialisation of new therapeutic assets.	Arcmont identified several ESG concerns with the acquisition and the target company. Arcmont engaged with management teams of the acquirer and the target company until they were satisfied that appropriate steps had been taken to mitigate these concerns and proceeded with the investment.
Angelo Gordon	Financing for a company that manufactures and installs gun ranges for military, law enforcement and commercial users. The company also provides shooting targets, ammunition and other consumable range related supplies.	Angelo Gordon's investment process flagged the reputational risk of selling ammunition to commercial clients and ultimately did not pursue the investment.
Insight	UK speciality non-bank mortgage originator.	Following engagement with Insight, the issuer implemented defined ESG targets and committed to publicly report metrics on an annual basis. Targets include reductions in carbon emissions from company offices and aiming that at least 50% of their owner-occupied borrowers be “social” borrowers.

Custodian

During 2019, BNP Paribas (the then current custodian) gave the Trustee notice to terminate their appointment because they had decided to withdraw from the custody market; following appropriate due diligence, the Trustee appointed Northern Trust as replacement custodian from December 2019.