

SITA (GB) National Staff 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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the Trustee's investment principles, objectives and policies have been implemented.

It also includes the Trustee's voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 6 April 2022 to 5 April 2023.

Investment Objectives of the Scheme

The Trustee's objective is to provide members with access to a suitable range of funds that provide an appropriate range of expected risk and returns. Each fund offered would be expected to achieve at least one of the following aims:

- To generate investment growth in excess of price inflation over the long-term;
- To preserve capital; or
- To provide a relatively secure stream of income through interest payments and return of capital.

Where members do not make any investment choices, the Trustee has provided a default investment approach with the following objectives:

- To generate investment growth in excess of price inflation over the long-term;
- To reduce the potential variability of returns as members approach retirement; and
- As members approach retirement, to reduce uncertainty in the level of retirement benefits that will be paid to members.

Review of the SIP

A new Statement of Investment Principles (SIP) was put in place in August 2023.

As part of preparing this SIP, the Trustee has put in place a policy on financially material considerations relating to Environment, 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 later in this Statement and are detailed in the Trustee's SIP.

Investment managers and funds

The Scheme is a wholly insured arrangement via a policy held with Utmost Life & Pensions Limited ('the Insurer'). In turn, Utmost Life & Pensions have appointed J P Morgan Asset Management and abrdn as the underlying investment managers of the funds available to members.

The Insurer has made the following pooled funds available for members to invest in:

Asset Class	Fund
Equity	
UK equity	Utmost FTSE All Share Tracker Fund
UK equity	Utmost UK Equity Fund
Asia Pacific equity	Utmost Asia Pacific Equity Fund
Europe equity	Utmost European Equity Fund
US equity	Utmost US Equity Fund
Global equity	Utmost Global Equity Fund
Multi-asset	
Multi-asset	Utmost Managed Fund
Multi-asset	Utmost Multi-Asset Cautious Fund
Multi-asset	Utmost Multi-Asset Moderate Fund
Multi-asset	Utmost Multi-Asset Growth Fund
Bonds	
Corporate bonds	Utmost Sterling Corporate Bond Fund
Fixed interest government bonds	Utmost UK Government Bond Fund
Cash	
Cash	Utmost Money Market Fund

Where members do not make an active choice regarding how their holdings should be invested, a default investment option has been put in place with the Insurer. The broad aim of the default investment approach is to provide a higher level of expected investment growth earlier in a member's working life, before gradually reducing the uncertainty in the level of benefits emerging as a member approaches retirement, switching their allocations to expectedly lower-risk investments.

The default investment approach selected is Utmost's lifestyling 'Investing by Age' approach.

The Investing by Age approach is set out below:

Age	Investment Fund Allocation
Up to 55	100% Utmost Multi-Asset Moderate Fund
55 – 65	Gradual switch from 100% Utmost Multi-Asset Moderate Fund to 100% Utmost Multi-Asset Cautious Fund
65 – 75	100% Utmost Multi-Asset Cautious Fund
75 – 85	Gradual switch from 100% Utmost Multi-Asset Cautious Fund to 100% Utmost Money Market Fund
85 or Over	100% Utmost Money Market Fund

There have been no changes to the default investment option or the funds available for members to use over the year.

Investment Governance

The Trustee is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone').

The Trustee does not actively obtain views of the membership of the Scheme to help form its policies set out in the SIP, as the Scheme is comprised of a diverse membership, which the Trustee expects to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustee has also put in place strategic objectives for Broadstone in August 2023, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022.

Trustee Knowledge & Understanding

The Trustee maintains a record of training undertaken. As a result of training activities undertaken by the Trustee Directors and professional advice available to the Trustee, the Trustee Directors are satisfied that their combined knowledge and understanding enables them to properly exercise their functions as Trustee of the Scheme.

Trustee's Policies

The table below sets out the relevant policies in the Scheme's SIP dated August 2023.

Requirement	Policy
Selection of Investments	<p>The Trustee may offer investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity, and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustee may offer investment in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.</p> <p>The Trustee may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part, or all, of the future liabilities due from it.</p> <p>The Trustee may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.</p>
Delegation to Insurer	<p>The Trustee will delegate the day-to-day management of the Scheme's assets and the fund options available to members to the Insurer, and will not be involved in the buying or selling of investments, or involved in the fund options made available to members.</p> <p>The Trustee will periodically review the suitability of the fund options provided to members by the Insurer within a wider review of the wholly insured arrangements.</p>
Realising Investments	<p>The Trustee makes disinvestments from the Insurer, as necessary, to meet the Scheme's cashflow requirements.</p>
Performance Benchmarks and Objectives	<p>The performance benchmarks and objectives of each fund available to use by members are set out in the Appendix of the SIP.</p>

Requirement	Policy
Investment Management Charges	The investment management charges of the funds used or available to use by members are set out in the Appendix of the SIP.
Financially and Non-Financially Material Considerations	The Trustee's policy on financially and non-financially material considerations is set out on page 7 of the SIP and in full below.
Engagement and Voting Rights	The Trustee expects the Insurer and the underlying investment managers to have voting and engagement policies in place and to implement these policies to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics may encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustee expects the Insurer's and the underlying investment managers' policies to aim to improve how companies behave in the medium and long term, and therefore protect and enhance the value of their investments, which the Trustee regards as being in the members' best interests. The Trustee will periodically monitor the actions taken by the Insurer on its behalf, and it will escalate any concerns with the Insurer where required.

The Trustee will assess how these policies have been implemented in its next Implementation Statement.

Financially and non-financially material considerations

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 day-to-day decisions on the selection of investments to the Insurer. The Trustee has an expectation that the Insurer will consider ESG issues in selecting the investment fund options available for investment by members. In addition, the Trustee also expects the underlying investment managers of the investment fund options available for investment by members to engage with the issuers of the underlying holding on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustee's views on how ESG issues are taken account of in each asset class used over the year is set out below:

Asset Class	Actively or Passive Managed?	Comments
Equities	Both	<p>Where the underlying funds are passively managed, the Trustee acknowledges that the underlying investment managers 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.</p> <p>Where the underlying funds are actively managed, the Trustee expects the underlying investment managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the managers to use their discretion to generate higher risk adjusted returns.</p> <p>Regardless of management style, the Trustee does expect the underlying investment managers to take ESG considerations into account by engaging with companies that form the index, and by exercising voting rights on these companies.</p>
Multi Asset	Active	<p>The Trustee expects the underlying investment managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustee also expect the underlying 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.</p>
Corporate bonds	Active	<p>The Trustee expect the underlying investment managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustee also expects the underlying investment managers to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.</p>
Government bonds	Active	<p>The underlying assets consist of government bonds, 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.</p>
Cash	Active	<p>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.</p>

The Trustee does not currently impose any specific restrictions on either the Insurer or underlying investment managers with regard 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 will continue to monitor market developments in this area.

Voting rights and engagement activities

Members are currently permitted to invest in pooled investment funds held with the Insurer and managed by the underlying investment managers, and the Trustee acknowledge that this limits its ability to directly influence either the Insurer or the underlying investment managers on behalf of members. In particular, all voting activities have been delegated to the underlying 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 will consider whether to challenge the Insurer on how ESG issues and voting rights have been taken into account for the investment approaches available to members, if the Trustee thinks this is in the best interests of members.

The majority of members were invested in Utmost's Investing by Age approach at the year-end, where the underlying assets were solely managed by JP Morgan Asset Management ('JP Morgan'), and where some of the underlying assets have voting rights attached. JP Morgan has put in place its own voting policy, and a summary of the votes made by JP Morgan across all assets that it owns and manages are summarised in the table below. Utmost has not provided data for each individual fund as requested, and so the data in the table below is therefore provided at the overall investment manager level for JP Morgan.

Manager	Period Covered	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
JP Morgan	2022	90,748	89%	10%	1%
JP Morgan	Q1 2023	8,476	89%	9%	2%

JP Morgan has also confirmed the split of shareholder proposals between Environmental, Social and Governance categories it was asked to vote on over 2022, as shown in the table below.

Manager	Period Covered	Proposals Voted On	Proposals Voted On:		
			Environmental	Social	Governance
JP Morgan	2022	1,349*	172	237	940

*Not including shareholder proposals labelled "Other proposals".

JP Morgan do not use a proxy-voting service and voting is performed in-house.

Significant votes

JP Morgan has determined significant votes as those where the investment manager is a major shareholder of the investee company in its portfolios, where the vote is likely to be close or contentious, or where there may be potential material consequences for their clients.

JP Morgan has provided the following significant vote it has undertaken on behalf of investors:

SIGNIFICANT VOTE	
Investment Manager	JP Morgan
Company	Dominion Energy
Resolution	Resolution to set reduction targets for Scope 3 carbon emissions
Why significant	Scope 3 carbon emissions make up 40% of the company's total emissions, and will have a material impact on shareholder value
Voting decision	Voted For
Manager comments	<i>"Intermediate targets will allow investors to assess progress as well as reliance on offsets, which is coming under scrutiny. We noted that for Scope 1 and 2, Dominion had outlined their proposed path through intermediate targets. For Scope 3, they have announced this 2050 aspiration without explaining how they would implement. Meeting their commitment could have material impacts on the company's strategy and failure to meet their commitments could present reputational risks to the company. Therefore, we believed investors should be able to understand what those impacts on strategy might be."</i>
Vote outcome	Resolution Rejected – JP Morgan will continue to work with the company to ensure Scope 3 carbon emission reduction targets are set

Engagement activities

The Trustee has also delegated engagement activities to JP Morgan. A notable engagement activity of JP Morgan is provided below:

- JP Morgan engaged with Rio Tinto, following its iron one mine expansion at Juukan Gorge in Australia in 2020, which resulted in the destruction of a 46,000 year-old Aboriginal sacred site, and the manager's concerns that there is low representation of indigenous professionals within the wider company. JP Morgan have worked with company management to introduce and report on internal company programs to improve relations with indigenous communities, including working with any impacted communities from any previous business activities. Furthermore, JP Morgan has encouraged the company to start providing internal training on cultural awareness. The manager will continue to engage with Rio Tinto to monitor progress on the company's cultural impact.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, the Trustee and members have access to performance updates on the funds available to members via the Insurer's website.

Signed:

Selcuk Birler

Digitally signed by Selcuk Birler
DN: dc=LOCAL, dc=SITA, dc=UK, ou=SITA UK Users,
ou=LocalApps, cn=Selcuk Birler
Date: 2023.10.27 11:48:41 +01'00'

Date:

27th October 2023

On behalf of the Trustee of the SITA (GB) National Staff Scheme