



Implementation Statement

In relation to The Lewis Workplace Pension Trust
(TLWPT or the Scheme)

October 2020

Background

Regulatory changes in 2018 introduced the concept of an annual Implementation Statement in which trustees set out how and the extent to which the [Statement of Investment Principles](#) (“SIP”) has been followed during the year.

How the legislation applies, and the timing requirements, will vary depending on the nature of the scheme, when its year-end falls, and when the trustees finalise their report and accounts for the scheme.

The legislation states that the Implementation Statement must be included in the Annual Report and Accounts and that it must also be made publicly available online. For relevant schemes, the online publication requirement will apply as soon as the accounts have been signed any time after 1 October 2020 (but in any event no later than 1 October 2021).

This document, therefore, sets the processes that we have completed as required by the regulations.

The requirements

The regulations require:

- A description of any review of the SIP during the period covered by the Statement including an explanation of any changes to the SIP.
- If the last review was not within the period covered by the Statement, include the date of last SIP review.
- Details of how and the extent to which, in the opinion of the trustees, the SIP has been followed during the year.
- Description of voting behaviour (including “most significant” votes by, or on behalf of, the trustee) and any use of a proxy voter during the year.

Introduction

This is the first Implantation Statement for The Lewis Workplace Pension Trust included in the Scheme's annual report and accounts for the period ending 31st March 2020 finalised in October 2020 and published on the Scheme's website, <https://lewismastertrust.co.uk/the-lewis-workplace-pension-trust/the-scheme/> following their completion

The purpose of this statement is to examine whether, throughout the year, the scheme's assets have been invested following the principles contained within the Statement of Investment Principal ("SIP") agreed and implemented in September 2019.

The SIP is a written statement which governs how decisions about investments are made and is also published on the Scheme's website.

The policies within the SIP, include:

- **5.2;** Trustee Compliance with Section 36 of the Pensions Act 1995 which was dealt with at each quarterly Trustee meeting of 2020 (as well as at respective Investment Sub Committee meetings). The Trustees' policy for ensuring compliance with the requirements of section 36 of the Pensions Act 1995 includes:
 - Ensuring proper delegation to investment managers / investment houses
 - Investing only in pooled funds
 - Other than for passive, or index tracking funds, the manager of each pooled fund has discretion over the choice of individual stocks and securities and is expected to maintain a diversified portfolio within each fund
 - The default fund has a focus on ESG investments, which we expect to increase over time
 - Before investing in any investment and in relation to retention of investments the Trustees obtain written advice from the Scheme Adviser and Investment Committee.
 - The Trustees monitor investments and investment options on a quarterly basis and review the Advisor's adherence to the SIP.
- **5.3;** Kinds of investment to be held: Default Strategy and Self-Select; The investment managers may invest in UK and overseas investments including Global Equities and Equity Indices, Commodities, Fixed Income, Cash and Money Market Funds and Commercial Property.

- **5.4;** Balance between different kinds of investments: Default Strategy and Self-Select; For each fund, the benchmark and guideline controls reflect the Trustees' views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk for that fund's strategic aim.

- **5.5;** Risk and risk management: Default Strategy and Self-Select; Investment risk is ultimately borne by the members. The Trustees have taken into account members' circumstances and considered ways of managing / monitoring risks. These include:
 - The expected/perceived range of members' attitudes to risk and term to retirement.
 - The risk that market movements in the years prior to retirement might lead to a substantial reduction in size of a member's pot.
 - Environmental, social and governance risks - these risk factors are likely to have a significant effect on the long-term performance of the assets TLWPT holds.
 - The potential impact of inflation.
 - Conversion risk.
 - Concentration risk.
 - Liquidity risk.
 - Operational risk
 - Loss of investment.
 - Currency risk.

- **5.6;** Expected return on investments: Default Strategy and Self-Select; The objective of the selected funds is to achieve an attractive real return over the long term within each portfolio's accepted risk profile. The Trustees, following receipt of written advice from the Advisor and or the investment committee, will determine the targets for each manager and monitor their performance using quarterly independent reports.

- **5.7;** Realisation of investments: Default Strategy and Self-Select; The majority of assets held within the pooled funds are held in equities and liquid, exchange traded assets which are quoted on major stock markets and regulated exchanges and may be realised as required.

- **5.8;** Financially material considerations: Default Strategy and Self-Select; In relation to TLWPT, the Trustees have a duty to act responsibly with regards to the assets it holds on behalf of the members and seeks to manage financially material considerations to safeguard sustainable long term returns. Financially material considerations can include (but are not limited to) environmental, social and governance ("ESG") considerations (including but

not limited to climate change), that the Trustees consider financially material. We have incorporated ESG into our Default 1 portfolio at 10% and will continue to expand our exposure in this respect.

- **5.9;** Non-financial matters: Default Strategy and Self-Select; Non-financial matters are not taken into account in the selection, retention and realisation of investments.
- **5.10;** Stewardship: Default Strategy and Self-Select; In relation to the exercise of the rights (including voting rights) attaching to the investments and in undertaking engagement activities in respect of the investments:
 - Trustees have delegated the day-to-day management of the underlying fund composition to investment managers under their terms of business.
 - The investment managers have full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to TLWPT investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
 - Investment managers are expected and encouraged to evaluate ESG factors, including climate change considerations and where this is not evidenced the Trustees will consider the impact on long term returns.
 - The Investment Committee will request information from investment managers in respect of their voting policies and historic voting practices to ensure the Scheme's aims and objectives are met.
 - The Trustees are committed to a transparent approach and as such the Trustees report to their members and other relevant parties on its responsible investment activities.
 - The investment managers have full discretion for undertaking engagement activities in respect of the investments and the Trustees adopt a monitoring and engagement role.

Changes to the SIP

The last formal review of the SIP was carried out in September 2020. The purpose of this review was for the Trustees to consider their position in relation to ESG, to ensure their views were reflected. New requirements required further clarity on how relationships with asset managers were managed and how they are incentivised, how their performance, remuneration and costs were evaluated.

This resulted in the expansion of section 5.10 “Stewardship” and the addition of 5.11 “Incentivising asset managers: Default and Self-Select”.

The review also resulted in some changes of wording to ensure compliance with regulation but no substantive changes to investment strategy.

Although a further review of the SIP is not required until 2023, it is expected that the SIP will be formally reviewed and updated again towards the end of 2021 as a result of a planned change to the Scheme's investment platform provider.

The Trustees have, although not as part of the SIP, but as a wider consideration for possible member wishes introduced both an Ethical Portfolio comprising of the L&G Ethical Trust and Shariah law compliant fund, HSBC (Lux) Islamic Global Equity Index Fund, during past the past months.

Monitoring

To assist the Trustees in investing consistently with the SIP, they have appointed an investment manager who provides advice and guidance in the quarterly review of the Scheme's asset allocation and performance against agreed benchmarks.

The Investment Committee, whose Terms of Reference can be obtained within the SIP, meet monthly to monitor the performance of the fund selection and make recommendations for any changes to the Trustees which are reviewed by the Trustee Board. The Trustees maintain the final decision in relation to any investment changes.

The Trustees and the Scheme Strategist meet quarterly to review Investment Strategy, the Investment Committee Minutes, investment performance against agreed benchmarks and any recommended changes to investment choice or allocation. It should however be noted that any urgent recommended changes are prioritised and an emergency Trustee Board Meeting arranged; albeit usually virtually.

Particular attention is given to the Default and phased funds to ensure they remain appropriate for the membership. To assess the demographic the Third Party Administrator provides Management Information including member average age and average fund size.

During the COVID-19 pandemic the Trustees have kept a close eye on the default funds as the portfolio's exposure to the UK has resulted in underperformance against the benchmarks. With a possible second wave of the virus anticipated it is likely markets will struggle and will increase in volatility but the Trustees see that as a short-term positive for the long-term investing nature of the workplace pension.

During the accounting period there have been two versions of the SIP, the initial document dated September 2019 and the revised version dated September 2020. The annual review of compliance with the SIP, is carried out in June of each year as part

of the Scheme's regular compliance monitoring scheduled in the Trustee Resource Planner. During a future review where two versions of the SIP have been in use during an accounting period both versions will be reviewed for compliance.

In addition to this the Trustees regularly review the appropriateness of all their advisers including the Investment Manager and are currently content with the services being provided. The Trustees have reviewed and confirmed that fees paid to the scheme's investment managers and custodians are consistent with industry norms for the services they provided.

Voting

The scheme only invests in pooled funds and the majority are Index funds. Therefore, information from managers is limited but it is appreciated that this also increases the emphasis on understanding and monitoring manager behaviour to ensure their continued suitability for the scheme.

To this end we have approached our investment platform provider and discrete investment managers for any separate voting, stewardship or engagement policies, and the extent to which these will also be reported on in relation to the specific assets held by the Scheme. Responses from our enquiries have been somewhat delayed due to the current pandemic but will be assessed as to whether the information provided is at fund level or at firm level. Both the voting record and the rate of turnover will be examined for any red flags and the individual managers' report reviewed by the Investment Manager to ascertain their continued suitability.

Known Breaches & Issues

The Trustees are not aware of any breaches during the scheme year to 31st March 2020 or in fact to 31st October 2020.

The Trustee Board are happy that the SIP has been followed effectively throughout the year.

Agreed and approved October 2020.