Implementation Statement

Carver Pension Scheme (the "Scheme")

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual statement called an Implementation Statement ("IS") which outlines the following:

- A description of any review and changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
- Evidence on how the Trustees have fulfilled the objectives and policies included in the SIP over the Scheme year;
- A description of the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Scheme year and the use of any third-party provider of proxy voting services.

The IS has been prepared by the Trustees and covers the DB and DC Sections of the Scheme covering the year from 6 April 2021 to 5 April 2022.

Executive summary

Based on the activity carried out by the Trustees and their investment managers over the year, the Trustees are of the opinion that their policies have been implemented effectively in practice. The Trustees note that their fiduciary manager, Aon Investments Limited ("AIL"), and their most material investment managers were able to disclose adequate evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement. In particular, the Trustees expect improvements from LGIM on its reporting of fund level engagement examples. The Trustees' fiduciary manager, AIL, will continue to engage with the manager to pursue improvements in its disclosures.

1. Review and changes made to the SIP over the year

The Trustees have a policy to review the SIP formally at least every three years, or after any significant change in investment policy.

The SIP was reviewed and updated in November 2021 to reflect changes to the asset allocation strategy for the DB Section, following an investment strategy review. The Trustees consulted with the Sponsoring Employer when making these changes and obtained written advice from the Trustee's investment adviser, Aon Solutions UK Limited ("Aon").

There were no changes to the SIP relevant to the DC Section over the Scheme year to 5 April 2022.

The latest version of the SIP can be found online here:
https://www.carver-group.com/wp-content/uploads/2022/03/Carver-SIP-November-2021.pdf

2. Meeting the objectives and policies outlined in the SIP

The Trustees outline in their SIP several key objectives and policies. These objectives and policies are referred to throughout[1], together with an explanation of how these objectives and policies have been implemented and adhered to over the Scheme year to 5 April 2022.

[1] The full SIP including exact policy and objective wording can be found on the Scheme website here: https://www.carver-group.com/wp-content/uploads/2022/03/Carver-SIP-November-2021.pdf

Policies and objectives related to the Scheme's investment objectives and strategy, including ensuring appropriate risk management

DB Section

The Trustees have established an investment strategy for the DB section that the Trustees believe to be appropriate for the Scheme. The Trustees review the investment strategy for the DB section in conjunction with each formal actuarial valuation of the Scheme, or more frequently should the circumstances of the Scheme change in a material way. The Trustees completed their triennial investment strategy review of the DB Section over the course of the year. As part of this review, the appropriate level of risk and return to be taken was considered.

As a result of the review, changes to the asset allocation strategy were agreed, which were implemented in December 2021. When setting the investment strategy, the Trustees considered written advice from Aon and consulted with the Sponsoring Employer.

DC Section

The Trustees offered a range of investment options to members throughout the Scheme year. The Trustees did not review the investment strategy for the DC section during this reporting period.

Policies and objectives related to investment managers, including environmental, social and governance ("ESG") considerations

DB Section

The Trustees have delegated the management of the Scheme's DB assets, including ongoing monitoring and engagement activities, to its fiduciary manager, AIL.

The Trustees received the 2020 AIL Annual Stewardship Report in October 2021. This report included details of voting and engagement activities taken by the Scheme's underlying asset managers and engagements from AIL itself. The Trustees have reviewed AIL's latest Annual Stewardship Report and believe it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests. The Trustees will continue to receive and review this report on an annual basis.

More details regarding Aon's engagement activities over the reporting year can be found in the section titled "Engagement activity – Fiduciary manager".

DC Section

The Trustees did not monitor the investment managers' activities in this area during the Scheme year, other than as part of the preparation of this statement, as the DC Section assets are considered immaterial compared to the DB Section assets.

Policies relating to costs and charges associated with the Scheme

DB Section

The Trustees received cost disclosure statements covering the 2020 calendar year in November 2021. The statements provided a summary of all the investment costs incurred by the investments managed by AIL over 2020. A breakdown of the costs into their various component parts was also provided, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers. The Trustees will continue to receive and review these reports on an annual basis.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

DC Section

The costs and charges borne by members of the DC Section during the Scheme year were collated as part of the work to produce the Chair's Statement.

3. Voting and engagement activity undertaken over the year

The DB and DC Sections of the Scheme invest in pooled funds across a range of asset classes, and the Trustees have delegated responsibility for the selection, retention and realisation of investments to the Scheme's investment managers in whose funds it invests.

The following sections outline voting behaviour and stewardship information, including examples of significant votes cast, to illustrate the engagement activity carried out by the Scheme's pooled fund managers on the Trustees' behalf.

There are a number of different criteria under which investment managers can determine whether a vote is significant. Each manager has their own criteria, with examples including:

- a vote where a significant proportion of the votes (e.g., more than 20%) went against the management's proposal
- a vote where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to a wider engagement initiative with the company involved
- a vote that demonstrates clear and considered rationale;

The Trustees consider a significant vote as one which the voting manager deems to be significant.

DB Section

Engagement activity – Fiduciary manager

The Trustees have delegated the management of the Scheme's DB assets to their fiduciary manager, AIL. AIL manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL selects the underlying investment managers on behalf of the Trustees.

AIL has carried out a considerable amount of engagement activity over the year. AIL held a number Environmental, Social and Governance ("ESG") focussed meetings with the underlying managers across all its strategies. At these meetings, AIL discussed ESG integration, voting and engagement activities undertaken by the investment managers. This allowed AIL to form an opinion on each manager's strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of improving the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

Aon also actively engages with investment managers and this is used to support AIL in its fiduciary services. Aon's Engagement Programme is a cross asset class initiative which brings together Aon's manager research team and Responsible Investment specialists to promote manager engagement with the needs of Aon's clients in mind.

In Q3 2021, Aon and AIL were confirmed as signatories to the UK Stewardship Code. With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken by Aon and AIL on behalf of its clients.

<u>Engagement Example – Fixed income manager</u>

In September 2021, Aon engaged with an underlying manager to understand why the manager's submission for the UK Stewardship Code ("the Code") 2020 was not accepted. The Code is a set of high stewardship standards for asset owners and asset managers. The Code is maintained and assessed by the Financial Reporting Council ("FRC"). The underlying manager was previously a signatory to the 2012 UK Stewardship Code.

At a meeting, Aon and the manager discussed the feedback from the FRC on why the manager was not accepted as a signatory to the Code. The rejection was thought to be due to the format rather than the substance of the submission. The manager resubmitted in October 2021 and was accepted.

Voting and Engagement – Underlying Investment Managers

The Scheme is invested in a number of equity, fixed income and liquid alternative funds within the arrangement with AIL. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material managers over the reporting period.

Voting and Engagement – Equity

Over the year, the Scheme was invested in the AIL Managed Growth Strategy Fund. The material equity investments held by the Scheme were:

- Legal and General Investment Management (LGIM) Multi Factor Equity Fund
- BlackRock Emerging Markets Equity Fund

LGIM – Multi Factor Equity Fund

Voting

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. LGIM also receives research from the Institutional Voting Information Service ("IVIS"). This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

The table below shows the voting statistics for the LGIM Multi-Factor Equity Fund for the year to 31 March 2022.

Number of resolutions eligible to vote on over the period	11,660
% of resolutions voted on for which the fund was eligible	99.8%
Of the resolutions on which the fund voted on, % that were voted against management	19.1%
Of the resolutions on which the fund voted, % that were abstained	0.2%

Source: Manager
Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 31 March 2022. This broadly matches the Scheme year.

Voting Example

In June 2021, LGIM voted against a resolution to elect the Chief Executive Officer ("CEO") of retailer Target Corporation to the role of Chair of the company's board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or non-executive director not to hold too many board positions to ensure they can undertake their duties effectively. 93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. It's top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients.

More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf.

At the time of writing, LGIM had not provided fund-level engagement examples. The Trustees' fiduciary manager, AIL, has engaged with LGIM to encourage it to report on its engagement activities at a fund level, in line with its peers. AIL and the Trustees expect to see improvements in LGIM's reporting next year. The example provided below is at a firm level, i.e. it is not specific to the fund the Scheme is invested in.

Engagement Example (firm level)

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

BlackRock – Emerging Markets Equity Fund

Voting

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. Blackrock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

The table below shows the voting statistics for the BlackRock Emerging Markets Equity Fund for the year to 31 March 2022.

Number of resolutions eligible to vote on over the period	28,828
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted on, % that were voted against management	9.0%
Of the resolutions on which the fund voted, % that were abstained	4.0%

Source: Manager
Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 31 March 2022. This broadly matches the Scheme year.

Voting Example

In June 2021, BlackRock voted against a proposal from the management of Huadian Power International ("Huadian International"), a Chinese energy company. The proposal sought to reorganize its wind and solar power portfolio by transferring all related assets into a dedicated renewable energy entity, which the majority is controlled by its parent company, Huadian Group. In exchange Huadian International would receive a minority stake in the renewable energy entity.

BlackRock voted against the proposal because it was concerned about the conflict of interest between Huadian International and its parent company. The proposal would prevent Huadian International from investing in wind or solar power projects, to avoid it being in competition with the majority shareholder, Huadian Group. In BlackRock's view, the transaction would disadvantage the minority shareholders of Huadian International by preventing them from participating in China's renewable energy market. The proposal passed with a majority vote.

Engagement

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here: https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

Engagement Example

At a strategy level, BlackRock has engaged with Vale S.A. ("Vale"), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale's iron ore mines collapsed and killed approximately 270 people. Tailings dams are used to store water and waste that are by products from the mining process. The collapse also caused significant environmental damage.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on the frequent public announcements about: 1) the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damage and socio-economic impact on the local community.

BlackRock's engagements with Vale also focused on board effectiveness and sustainability. It shared its expectations of board quality including composition, diversity, and independence. BlackRock also discussed the company's sustainability disclosures and carbon emissions reduction targets.

Engagement – Fixed Income and Alternatives

The Trustees recognise that stewardship may be less applicable or have a less tangible financial benefit for fixed income and alternative mandates compared to equity mandates. Nonetheless, the Trustees still expects their non-equity managers to engage with external parties if they identify concerns that may be financially material.

Fixed income managers, in particular, have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so it is in debt issuers' interests to make sure that investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, the downside risk mitigation and credit quality are critical parts of investment decision-making.

The following section demonstrates some of the engagement activity being carried out by the Scheme's fixed income and alternative managers over the year.

Robeco – Global Credit Short Maturity fund

Engagement

Robeco actively uses its ownership rights to engage with companies on behalf of its clients. Robeco believes improvements in sustainable corporate behaviour can result in an improved risk-return profile of its investments. Robeco engages with companies worldwide, in both its equity and credit portfolios.

Robeco carries out three types of engagement with the companies in which it invests:

- Value engagement;
- Enhanced engagement; and
- Sustainable development goals engagement.

Robeco aims to improve a company's behaviour on ESG issues to improve the long-term performance of the company and ultimately the quality of investments for its clients.

Engagement Example

Robeco engaged with the British bank, Barclays, about its culture and risk governance over several years. The purpose was to gain a better understanding of the risks banks face by analysing the most material governance issues of the banking system.

The culture at Barclays was a key area for improvement and Barclays did a lot of work to improve this. For example, the bank regularly reports the importance of behaviours to its staff and tries to foster an open culture. The bank's approach to financial crime is also now largely in line with other European banks. Robeco closed this engagement successfully in Q4 2021.

Leadenhall Capital Partners LLP ("Leadenhall") – Insurance Linked Securities

Engagement

Leadenhall performs a detailed review of its investment counterparties' ESG policies and controls. Where appropriate Leadenhall will avoid investment counterparties who are not aligned with its own ESG policies. Leadenhall assesses its investment counterparties' alignment with its own ESG principles by considering specific factors including:

- Environmental impact such as pollution prevention, reduced carbon emissions, and adherence to environmental safety standards.
- Social impact including human rights, welfare and community impact issues.
- Governance issues including board structure, remuneration, accounting quality and corporate culture.

DC Section

The Scheme's Defined Contribution ("DC") assets were invested with LGIM and abrdn over the year. Because the DC assets under management are small relative to DB assets, the Trustees have taken a proportionate approach to the disclosures on these arrangements. LGIM's voting and engagement policies are covered under the DB Section above. The Trustees have not obtained any information about abrdn's engagement policies, although its voting policy and voting statistics for the abrdn Global Absolute Return Strategies Fund have been collected and are set out below.

Over the reporting period, the Scheme's material DC investments were:

LGIM	UK Equity Index
	Global Emerging Markets Equity Index
	Pre-Retirement
	Cash
abrdn	Global Absolute Return Strategies

LGIM – UK Equity Index Fund and Global Emerging Markets Equity Index Fund

The table below shows the voting statistics for the UK Equity Index Fund and the Global Emerging Markets Equity Index Fund for the year to 31 March 2022.

	Global Emerging Markets Equity Index	UK Equity Index
Number of resolutions eligible to vote on over the period	41,757	10,813
% of resolutions voted on for which the fund was eligible	99.8%	100.0%
Of the resolutions on which the fund voted, % that were voted against management	18.1%	6.9%
Of the resolutions on which the fund voted, % that were abstained from	2.3%	0.0%

Source: Manager

Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 31 March 2022. This broadly matches the Scheme year.

abrdn – Global Absolute Return Strategies

Voting

abrdn utilises the services of ISS for all its voting requirements. It endeavours to vote on all shares for which it has authority. abrdn records what it deems to be the most significant votes across all its holdings, it has five categories of votes it considers significant:

1) Votes which receive public and press interest, or reflect significant governance concerns
2) Votes on shareholder proposals or Environmental and Social proposals
3) Votes where abrdn has engaged with the company on a resolution
4) Votes around corporate transactions
5) Votes where abrdn has voted against its custom voting policy

The table below shows the voting statistics for the abrdn Global Absolute Return Strategies Fund for the year to 31 March 2022.

Number of resolutions eligible to vote on over the period	1420
% of resolutions voted on for which the fund was eligible	99.9%
Of the resolutions on which the fund voted, % that were voted against management	15.7%
Of the resolutions on which the fund voted, % that were abstained from	0.2%

Source: Manager

Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 31 March 2022. This broadly matches the Scheme year.