Implementation Statement for the year to 31 March 2021

Hampden Group plc Pension Scheme (‘the Scheme’)

Introduction

This statement describes the voting and engagement policies of Entrust Pension Limited as Trustee of the Scheme (the Trustee) along with a summary of voting and engagement behaviour related to the Scheme’s investments over the 12-month period to 31 March 2021.

This Implementation Report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles (‘the SIP’) dated 30 September 2019 and subsequently 6 July 2020. This report details:

* Actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP;
* The current policy and approach with regards to Environmental, Social and Governance (ESG) factors and the actions taken with managers on managing ESG risks; and
* The extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in which they invest.

Summary of key actions undertaken over the Scheme reporting year

The Scheme implemented a full buy-in of the Scheme’s liabilities on 22 June 2020 which ensures that all of the members’ benefits are insured.

Implementation Statement

This report demonstrates that Hampden Group plc Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Managing risks

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| Risk / Policy | Definition | Policy | Actions |
| Interest rates | The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates. | The Trustee aims to hedge this risk both directly and indirectly where appropriate and affordable. | The Trustee implemented a full buy in of the Scheme’s liabilities which has transferred this risk to the insurer. |
| Inflation | The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in inflation. | The Trustee aims to hedge this risk both directly and indirectly where appropriate and affordable. |
| Liquidity | Difficulties in raising sufficient cash when needed without adversely impacting the fair market value of the investment. | To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values). |
| Currency | The potential for adverse currency movements to have an impact on the Scheme’s investments. | To largely invest in GBP share classes where possible to eliminate direct currency risk. |
| Longevity | Scheme Members living longer than expected, leading to a larger than expected liability. | Given the impracticalities surrounding hedging longevity risk for smaller pension schemes without implementing a buy in, the Trustee assesses but retains this risk. |
| Credit | Default on payments due as part of a financial security contract. | To diversify this risk by investing in a range of credit markets across different geographies and sectors. |
| Counterparty | A counterparty fails to meet its financial transaction obligations. | To appoint investment managers who actively manage this risk by conducting a reasonable level of due diligence on counterparties they transact with, required for the Scheme investments. |
| Concentration | Excessive exposure to a single issue/stock/sector etc. which has a potentially disproportionate impact on the Scheme’s investments. | To diversify this risk by investing in a range of asset classes to mitigate concentration risk where appropriate. |
| Reinvestment | Proceeds from the payment of principal and interest which may be reinvested at a lower rate than the original investment. | To diversify this risk by investing in a range of alternative asset classes where appropriate in line with the Scheme’s long-term return objective, which may potentially offer higher returns than the original investment. |
| Environmental, Social and Governance | Exposure to environmental, social and governance factors, including but not limited to climate change, which can impact the performance of Scheme investments. | All decisions about the day-to-day management of the assets have been delegated to the investment managers. The delegation includes decisions about Social, Environmental, Ethical and Governance considerations in selection, retention and realisation of investments. |
| Covenant | The possibility of failure of the Scheme’s sponsoring employer. | The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy. |
| Lack of diversification | The failure to spread investment risk. | The Trustee and their advisers considered this (and potential counterparty) risk when setting the Scheme’s investment strategy but paid regard to the overall objective of securing members’ benefits. |  |
| Operational | The risk of fraud, poor advice or acts of negligence. | The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received. |  |

Changes to the SIP

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| --- | --- |
| Policies added to the SIP |  |
| Buy in policy | The SIP was updated to reflect the fact that all assets are invested via a buy in policy with Aviva Life and Pensions UK Limited (‘the Insurer’). |

Implementing the current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Scheme’s policy with regards to ESG as a financially material risk. This page details how the Scheme’s ESG policy is implemented. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Scheme’s investment managers are assessed on when evaluating their ESG policies and engagements.

Implementing the Current ESG Policy

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| --- | --- | --- |
| Areas for engagement | Method for monitoring and engagement | Circumstances for  additional monitoring and engagement |
| Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity | As part of the investment management of the Scheme’s assets, the Trustee expects the investment manager/Insurer to:   * Where relevant, assess the integration of ESG factors in the investment process; and * Use its influence to engage to ensure the Scheme’s assets are not exposed to undue risk. | If risks are deemed to potentially impact the Scheme’s investments negatively. |

Engagement and Voting

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| Fund name | Engagement Summary | Commentary |
| LGIM Over 15 Years Index-Linked Gilts (until 22 June 2020) | LGIM currently do not provide details of their engagement activities at Fund level, however the firm is considering how such information can be provided going forward. | The Trustee and its advisors are comfortable with this approach due to the underlying assets being 100% index-linked government bonds. |
|  |  |  |
| Fund name | Voting summary | Example of significant votes |
| LGIM Over 15 Years Index-Linked Gilts (until 22 June 2020) | Voting not applicable | |

The Trustee does not collect data from the Insurer due to the regulatory requirements of buy ins.