

## **PGIM UK Retirement Savings Plan**

**Annual Report for the year ended 5 April 2022**

### **Trustees' Report**

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## **PGIM UK Retirement Savings Plan – Defined Contribution section Implementation Statement**

### **Introduction**

This Implementation Statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year running from 6 April 2021 to 5 April 2022 (the "Plan Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the SIP that was in place for the Plan Year, which is the SIP dated September 2020.

The Plan has both a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section. This implementation statement covers the DC Section only; a separate statement has been produced in respect of the DB Section.

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Plan and changes which have been made to the SIP during the Plan Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the DC Section of the SIP have been followed.

A copy of the SIP is available at <https://cdn.pfcdn.com/cms/pgim4/sites/default/files/2020-09/PGIM-UK-Retirement-Savings-Plan-Defined-Contribution-2020.pdf>.

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers of the Plan.

## **2. Statement of Investment Principles**

### **2.1. Investment Objectives of the Plan**

The Trustees believe that it is important to recognise members of the Plan have differing investment needs, which may change during the course of members' working lives and must be provided for. The following encapsulates the Trustees' objectives, as outlined in the SIP:

- To ensure there is a sufficient number of appropriate investment options available to allow the member to plan for retirement.
- To maximise the value of members' assets at retirement at an acceptable level of risk.
- To maintain the purchasing power of members' savings.
- To provide some protection for members' accumulated assets in the years approaching retirement against sudden volatility in the capital value and fluctuations in the cost of providing benefits.

The Trustees aim to meet these objectives by the following:

- Offering members four 'Lifestyle' approaches to investment strategy (one of which is also the Default Investment Option) and ensuring that the other investment options also allow members to plan for retirement.
- Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Plan members.
- Providing general guidance as to the purpose of each investment option.
- Encouraging members to seek financial advice from a FCA regulated financial adviser in determining the most suitable option.
- The Trustees will regularly review the suitability of the options provided and from time to time will change manager or introduce additional investment portfolios as appropriate.

### **2.2. Review of the SIP**

The current SIP came into effect during September 2020. Over the 12 months to 5 April 2022, no changes were made to the SIP. The SIP will be reviewed as part of the ongoing investment strategy review, being carried out during the 2022/23 Plan Year.

### **2.3. Assessment of how the policies in the SIP have been followed for the Plan Year**

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the DC Section of the Plan.

**In summary, it is the Trustees' view that the policies in the SIP have been followed during the Plan Year.**

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### **Investment Mandates**

#### **Securing compliance with the legal requirements about choosing investments**

##### Policy

The Trustees consider the investment objectives and policies when choosing investments for the DC Section of the Plan. The Trustees receive written advice from their Investment Consultant on any investments prior to them being implemented. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). The policy is detailed in Section 1 of the SIP.

##### **How has this policy been met over the Plan Year?**

No investment changes were implemented over the Plan Year to 5 April 2022 covered by this Statement. An investment strategy review is ongoing during the 2022/23 Plan Year; details of this review and any resultant investment strategy changes will be set out in next year's Implementation Statement.



## Investment Mandates

### Realisation of Investments

#### Policy

The Trustees requires that 90% of all investments should be realisable at short notice. All funds are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are all mainly in regulated markets, and therefore are believed to be readily redeemable based on member demand. The Trustees considers the liquidity of the investment in the context of the likely needs of members. The policy is detailed in Section 4.2 of the SIP

#### How has this policy been met over the Plan Year?

The Trustees' access daily dealt and daily priced pooled funds held with a range of Investment Managers.

The Trustees receive an administration report on a quarterly basis to confirm and ensure that core financial transactions are processed within Service Level Agreements (SLAs) and regulatory timeliness. The administration report is reviewed at every meeting and confirms the performance of all SLAs in particular those related to the realisation of investments and investment of regular contributions. These have consistently met the Trustees' target within timescales in the majority of the cases.

## Environmental, Social and Governance ("ESG")

### Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

#### Policy

The Trustees consider financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of such factors, including environmental, social and governance (ESG) factors, is delegated to the investment manager. Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice. Further details are included in Sections 2 and 4 of the SIP.

Non-financial matters, such as member views, are not taken into consideration. Further details are included in Section 2 of the SIP.

#### How has this policy been met over the Plan Year?

The Trustees review the investment performance report at each Trustees' meeting. This includes ratings (both general and specific ESG) from the investment advisers. All of the investment managers remained highly rated during the year.

The investment performance report sets out how investment managers are delivering against their specific mandates.

Section 2 of the Plan's SIP includes the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies.

The Trustees expect the Plan's managers to take into account current best practice, including the UK Corporate Governance Code and the UK Stewardship Code, of which the Trustees are supportive. Equity managers who are registered in the UK are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The Trustees considered the investment adviser's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustees did not explicitly seek member views regarding any investments or arrangements over the period covered by this statement. However, member views are reflected through consideration of received member queries discussed at Trustees' meetings.

### Voting and Engagement Disclosures

**The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters).

#### **Policy**

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the investment managers. Further details are set out in Section 2 of the SIP. In addition, it is the Trustees' policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

#### **How has this policy been met over the Plan Year?**

The Trustees have delegated their voting rights to the appointed investment managers.

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

Once appointed, the Trustees give appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The voting records of the investment managers are summarised in Section 3.



### Monitoring the Investment Managers

#### Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies

##### Policy

The Trustees' focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustees review both absolute and relative performance of the investment managers' funds on a quarterly basis, including assessments of both shorter and longer time horizons.

##### How has this policy been met over the Plan Year?

Over the year, no mandates were terminated due to performance concerns or as a result of changes in underlying targets.

The Trustees monitor the performance of the default strategy, additional default arrangements and self-select ranges at each Trustees' meeting.

The current range of investment managers are aware that their continued appointment is dependent on them meeting these performance targets.

#### Evaluation of asset managers' performance and remuneration for asset management services

##### Policy

The Trustees are a long-term investor, all funds are open-ended and therefore there is no set duration for manager appointments. The Trustees are responsible for the selection, appointment and removal of investment managers. The Trustees may also choose to remove a fund from the fund range, if no longer considered appropriate.

The fund range is formally reviewed on at least a triennial basis, with the next review being carried out during the 2022/23 Plan Year.

##### How has this policy been met over the Plan Year?

The remuneration for investment managers used by the Plan is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money/members assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustees will ask the fund manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees.

The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years, five years and since inception. The Trustees review the absolute performance, relative performance against a suitable benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustees' focus is on long-term performance, it also takes shorter-term performance into account. Based on its performance monitoring over the Plan year, the Trustees were satisfied with the investment strategy's performance, against long term objectives and given the wider market context.

## Monitoring the Investment Managers

### Monitoring portfolio turnover costs

#### Policy

The Trustees monitor portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of their value for members assessment. Further details are set out in Section 3.3 of the SIP.

#### How has this policy been met over the Plan Year?

Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.

The Trustees do not currently define target portfolio turnover ranges for funds, but it will engage with a manager if portfolio turnover is higher than expected.

### The duration of the arrangements with asset managers

#### Policy

There is no set duration for the manager appointment. The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustees are dissatisfied with the manager's ongoing ability to deliver the mandate promised or because of a change of investment strategy by the Trustee. Further details are set out in Section 3.4 of the SIP.

#### How has this policy been met over the Plan Year?

The Trustees are a long-term investor and all DC funds are open-ended. Therefore, there is no set duration for manager appointments. The funds are reviewed on a regular basis, supported by advice from the investment advisors. The Trustees may choose to remove a fund from the fund range, if it is no longer considered appropriate, and the fund range is reviewed on at least a triennial basis.

No changes were made to the funds or managers used within the DC Section over the year.

 Strategic Asset Allocation

**Kinds of investments to be held, the balance between different kinds of investments and expected return on investments**

Policy

The Trustees believe that the investment options are appropriate for meeting the investment objectives. In particular, for members who do not wish to take an active role in the investment decisions, the Trustees offer a Default Investment Option. The Trustees have also made available two alternative lifestyle strategies. Bearing in mind the level of investment knowledge of a typical member and the desire to keep the available fund range simple and understandable (while providing appropriate choice) the Trustees have decided to make a range of additional funds available to members, offering both passively and actively managed funds. Further details are set out in Sections 4 and 5 of the SIP.

How has this policy been met over the Plan Year?

No funds were added or removed from the Plan's investment options through the Plan Year to 5 April 2022. The last investment strategy review covering the default investment option was carried out during 2019, with the next review due to be carried out during the 2022/23 Plan Year. The investment performance report was reviewed by the Trustees on a quarterly basis. The reports include information on how each manager performed against their mandate – this includes the risk and return characteristics of the default and additional investment fund choices and considers these against stated aims and objectives.

Based on the monitoring conducted by the Trustees over the Plan Year, the Trustees are satisfied with the investment strategy's performance over the Plan Year.

**Risks, including the ways in which risks are to be measured and managed**

Policy

The Trustees have considered risk from a number of perspectives in relation to the DC Section, including the default option, all of which the Trustees believe are financially material. Further details are set out in Section 4.2 of the SIP.

How has this policy been met over the Plan Year?

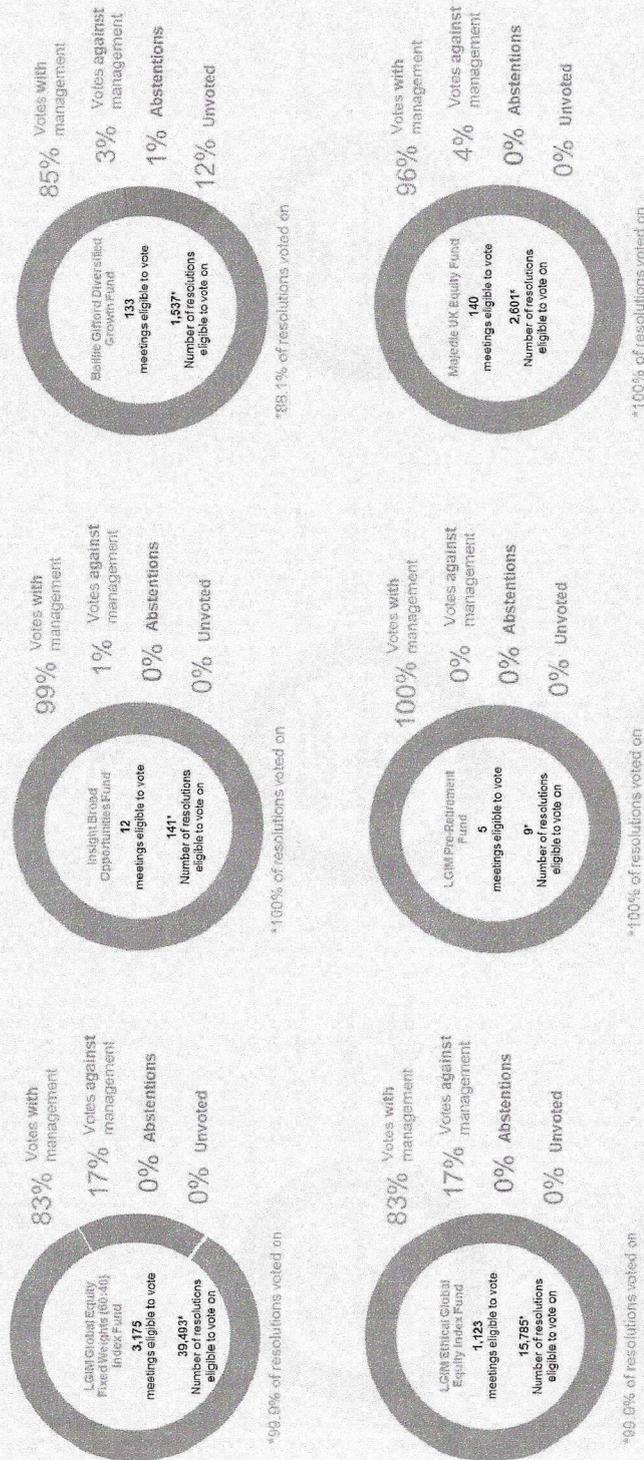
The Trustees have considered risk for the DC Section of the Plan from a number of perspectives. The list provided in this section is not exhaustive but covers the main risks that the Trustees consider and how these are managed and measured. The Trustees maintain a risk register in respect of the Plan, setting out key risks including the market risks, investment manager risks, and ESG risks and how they are mitigated. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions. This risk register is formally reviewed annually, most recently at the June 2021 Trustee meeting.

- Inflation Risk
- Pension Conversion Risk
- Market Risk
- Currency Risk
- Operational Risk

- Liquidity Risk
- Valuation Risk
- Environmental, Social and Governance Risk
- Manager Skill / Alpha Risk

### 3. Voting Activity during the Plan Year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Plan. Votes "for / against management" assess how active managers are in voting for and against management. Purple represents abstention from voting. Funds where voting is not applicable (i.e. most non-equity funds) are not included in the list below.

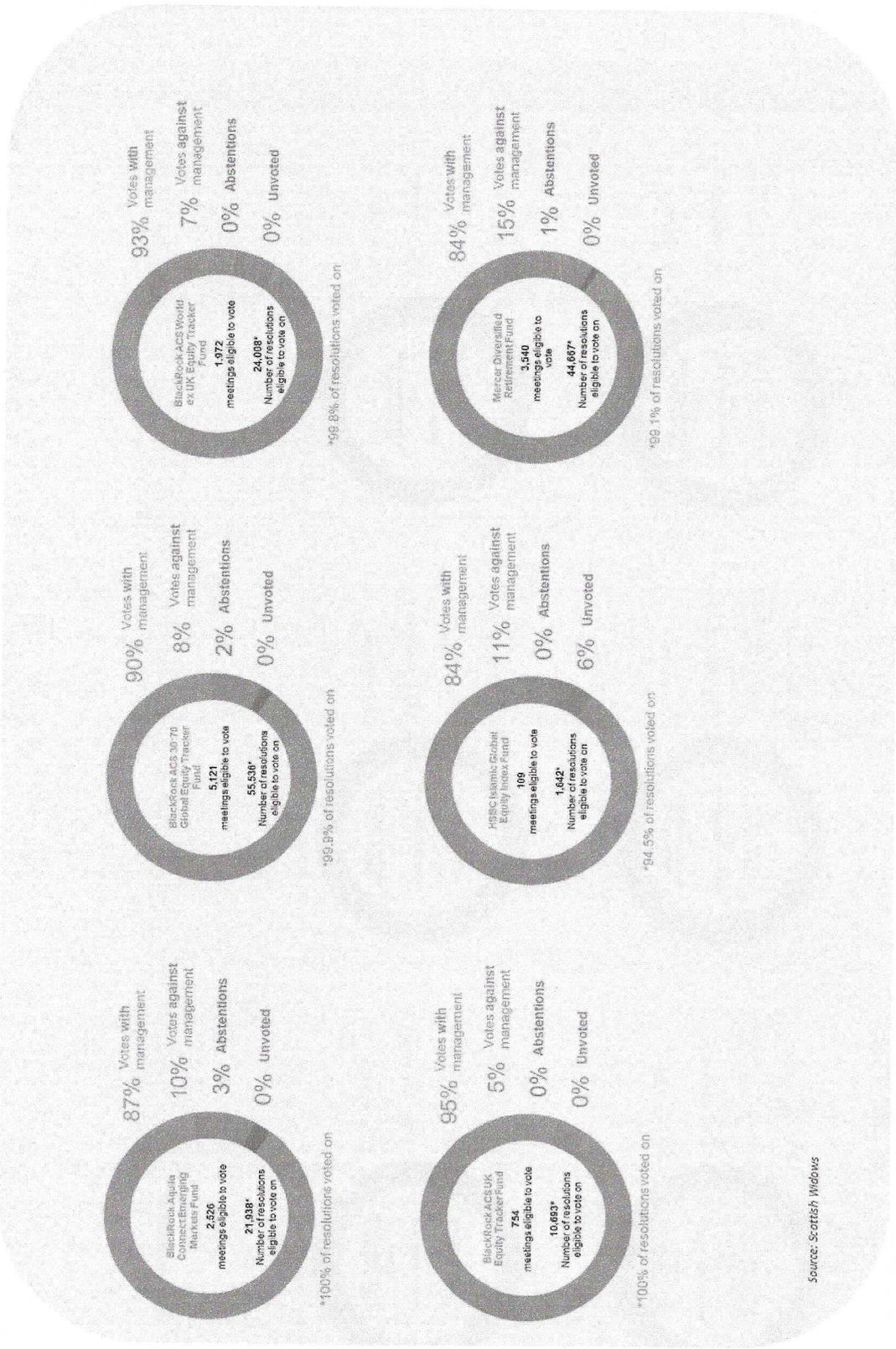


Source: Scottish Widows

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Source: Scottish Widows

**Sample of the most significant votes**

Fund	Company	Date of vote	How the Manager voted	Summary of the resolution	Rationale of Manager vote	Resolution passed	Final outcome following the vote
	Apple Inc.	2022-03-04	For	Report on Civil Rights Audit	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	Resolution not passed	✓
LGIM Global Equity Fixed Weights (60:40) Index Fund	Mitsubishi UFJ Financial Group, Inc.	2021-06-29	For	Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement	Climate change: A vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change. While they positively note the company's recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and they believe the shareholder proposal provides a good directional push.	Resolution passed	✗
Baillie Gifford Diversified Growth Fund	Intel Corporation	2021-05-13	For	Report on Global Median Gender/Racial Pay Gap	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	Resolution passed	✗
LGIM Ethical Global Equity Index Fund	BOOKING HOLDINGS INC.	2021-06-03	For	Shareholder Resolution - Climate	They supported a shareholder resolution requesting a climate transition report as they believe better disclosure is in shareholders' best interests.	Resolution passed	✓
	Wells Fargo & Company	2021-04-27	For	Report on Racial Equity Audit	LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	Resolution passed	✗

Source: Scottish Widows

Fund	Company	Date of vote	How the Manager voted	Summary of the resolution	Rationale of Manager vote	Final outcome following the vote
	Cigna Corporation	2021-04-28	For	Report on Gender Pay Gap	<p>Resolution not passed</p> <p>⊗</p>	<p>Resolution passed</p> <p>⊙</p>
LGIM Ethical Global Equity Index Fund					<p>⊗</p> <p>LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, they expect all companies in which they invest globally to have at least one female on their board. Please note they have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets. Having reviewed Sumitomo Corporation's disclosures and engaged in dialogue with the company, LGIM decided to vote in favour of Shareholder Resolution 5, as described above. They note the company's efforts on the climate transition, in particular the enhanced commitments announced over the past couple of months. However, they continue to have concerns regarding the alignment of interim pathways with a 1.5 degree scenario. They believe their support for the shareholder resolution will help signal the importance of the climate emergency for them as a large investor and their expectations for companies to align urgently with the goals of the Paris Agreement. They look forward to engaging further and hope to see the company provide increased transparency around its short and medium-term targets and expedite its efforts to give shareholders comfort that it is on track to achieve its 2050 carbon neutrality commitment.</p>	<p>⊗</p>
	Sumitomo Corporation	2021-06-18	For	Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement		<p>⊗</p>

Source: Statfish Widows

# PGIM UK Retirement Savings Plan

## Annual Report for the year ended 5 April 2022

### Trustees' Report

**Sample of the most significant votes**

Fund	Company	Date of vote	How the Manager voted	Summary of the resolution	Rationale of Manager vote	Resolution passed	Final outcome following the vote
Majedie UK Equity Fund	AstraZeneca	2021-05-11	Against	Approve Remuneration Policy Elect Adrian Lima Da Hora as Fiscal and Andre Alcantara Ocampos as Alternate	A vote against this item is considered warranted: The Company is proposing significant increases to variable pay for the second consecutive year, and the rationale for this is not considered to be sufficiently compelling.	Resolution not passed	✓
BlackRock Aquila Connect Emerging Markets Fund	JBS SA	2021-04-28	Against	Elect Yang Rongming as Director	Vote against audit committee member because of substantial accounting irregularities for which BlackRock believes the audit committee bears some responsibility.	Resolution passed	✓
BlackRock ACS 30:70 Global Equity Tracker Fund;	China Shenhua Energy Company Limited	2021-06-25	For	Approve Company's Environmental Transition Plan	Needs to take climate voting action but no incumbent director up for re-election at the AGM	Resolution passed	✓
BlackRock ACS World ex UK Equity Tracker Fund	VINCI SA	2021-04-08	For	Approve 2020 Decarbonisation Plan	Not available	Resolution passed	✓
	Moody's Corporation	2021-04-20	For	Publish Annually a Report Assessing Diversity, Equity, and Inclusion Efforts	Not available	Resolution passed	✓
	Charter Communications, Inc.	2021-04-27	For		BlackRock recognises the Company's efforts to date, but believe that supporting the proposal may accelerate company's progress on material social issues.	Resolution not passed	✗

Source: Scottish Widows

Sample of the most significant votes		Resolution not passed		Resolution passed		
Fund	Company	Date of vote	How the Manager voted	Summary of the resolution	Rationale of Manager vote	Final outcome following the vote
BlackRock ACS UK Equity Tracker Fund	BP Plc	2021-05-12	For	Approve Shareholder Resolution on Climate Change Targets	BlackRock recognises the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.	⊗
HSBC Islamic Global Equity Index Fund	Alphabet Inc.	2021-06-02	For	Report on Takedown Requests	HSBC favours transparency around the company's response to requests from governments to limit access to content. These and related issues are significant risks which need to be managed transparently.	⊗
	Chevron Corporation	2021-05-26	For	Reduce Scope 3 Emissions	HSBC supports the principle of adopting quantitative GHG emission reduction targets. The company had fallen short of investors' expectations and was lagging its peers in commitments to action on climate transition.	⊙
	Exxon Mobil Corporation	2021-05-26	Against Management Proxy	Proxy contest - Management Proxy Vs Shareholder Proxy	HSBC is concerned by the lack of substantial improvement in Exxon's commitment and strategy with regards to climate change.	⊗

Source: Scottish Widows  
Significant votes for Mercer Diversified Retirement Fund and Insight Broad Opportunities Fund were not provided.