

# Implementation Statement (“IS”)

## Spirit (Legacy) Pension Scheme ('the Scheme') – Defined Benefit (DB) and Defined Contribution (DC) Sections

### Scheme Year End – 30 June 2023

The purpose of the Implementation Statement is for us, the Trustee of the Spirit (Legacy) Pension Scheme, to explain what we have done during the year ending 30 June 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (SIP). It includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

#### Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

In our view, most of the Scheme’s DB material investment managers were able to disclose adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

We delegate the management of some of the Scheme’s DB assets to Aon Investments Limited ('Aon') to manage on a fund of funds basis. We believe the activities completed by our fund of fund manager to review the underlying managers’ voting and engagement policies and activities align with our stewardship expectations.

At the time of writing, the Scheme’s DC investment manager did not provide us with requested information to allow us to review the engagement activity carried out on our behalf.

There are areas where we the requested data is still outstanding for which we would like to see additional details, as set out in our engagement action plan.

## Changes to the SIP during the year

The Trustee has a SIP that covers both the DB and DC Sections of the Scheme. The Trustee undertakes a review of the SIPs at least triennially or after any significant change in investment strategy. The SIP has been updated following the Plan year covered by this statement.

The Scheme's latest SIP can be found here:

<https://pensioninformation.aon.com/spiritgroup/fileviewer.aspx?FileID=12921&FileName=SLPS%20SIP%20February%202022.pdf>

## How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP. Further details of the Trustee's policies can be found in the SIP.

### Joint DB and DC Policies

<b>Environmental, Social and Governance ("ESG") considerations</b>	<p>During the year, the Trustee received Quarterly Investment Reports (QIRs) which included Aon's rating of the Scheme's investments. The monitoring included underlying ratings of sub-categories, such as ESG, which the Trustee reviewed and considered. Where appropriate, the Trustee would question the managers on their ESG practices and, if necessary, change the investment arrangements.</p> <p>The Trustee is comfortable that the ESG policies and objectives have been met over the year.</p>
<b>Stewardship</b>	<p>The Trustee expects the Scheme's investment managers to, where appropriate, engage with investee companies and to exercise voting rights in relation to the Scheme's assets.</p> <p>Via Aon, the Trustee maintains an active dialogue with the Scheme's investment managers and regularly reviews the continuing suitability of their appointment. This review includes consideration of stewardship matters and the managers' exercise of voting rights. The Trustee is supported in this review by Aon.</p> <p>Details of the managers' stewardship activities over the year are provided at the end of this statement, including information on their voting behaviour, significant votes cast and the use of the services of a proxy voter.</p>
<b>Members views</b>	<p>In line with its policy, over the year, the Trustee has not explicitly taken into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters.</p> <p>That said, the Trustee is mindful of developments in this area and review this position as appropriate. Where a member does make a decision to share their views with the Trustee, the Trustee will note and discuss and minute any subsequent course of action.</p>

<b>Arrangements with asset managers</b>	<p>The Trustee is supported by Aon in the monitoring the activity of its investments. As noted, the Trustee receives QIRs, which include Aon's ratings of the investments. Aon is responsible for researching, rating and monitoring asset managers across all asset classes. This includes some aspects on the manager's alignment with Trustee policies generally; for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues.</p> <p>For the DB arrangements, the investment sub-committee (ISC) aims to meet with each manager annually to receive an update on the investments performance, market outlook and positioning, ESG policies and how ESG is incorporated into the investment decision making process.</p> <p>The Trustee is comfortable the investment strategy and decisions of the asset managers are aligned with the Trustee's policies and that its policies in this area have been adhered to over the year.</p>
<b>Costs, transparency and the monitoring of performance and remuneration</b>	<p>For the DB arrangements, the Trustee gathers cost information on its investments annually, to provide a consolidated summary of all the investment costs incurred. The cost report includes a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers.</p> <p>During the year, Aon monitored portfolio turnover among the investment managers and had no concerns about it. Additionally, the QIRs provided to the Trustee during the year consider the performance of the investment managers after costs and management fees costs; no concerns were identified during the year.</p> <p>For the DC arrangements, the Trustee provides cost information on its investments annually within the Chair's Statement in the Trustee Report &amp; Accounts. The Trustee reviewed the data which included both explicit and implicit costs and charges. Aon also reviewed the member borne costs and none appeared to be unreasonable in their view.</p>
<b>DB Specific Policies</b>	
<b>Investment Risks</b>	<p>During the year, the Trustee received QIRs from Aon, monitoring the valuation of all investments held, the funding level, the performance the Scheme, performance of the investments against their respective benchmarks. The QIRs included details of any significant issues with the investments that may impact their ability to meet the performance targets.</p> <p>The Trustee is comfortable this policy has been met over the year.</p>
<b>Flight Plan</b>	<p>During the year, The Trustee received QIRs from Aon, monitoring the Scheme's funding level against the flight plan triggers. If a funding level trigger is achieved , a corresponding increase in the matching component allocation would be proposed at the meeting, or as soon as is reasonably practical thereafter.</p> <p>The Trustee continues to monitor the Scheme's funding level on a quarterly basis and is currently working to agree a revised Flight Plan as a result the previous trigger framework has been suspended. The Trustee expects this revised plan to have been implemented by the next year end, although recognises that it is a material piece of work which will require consultation with the sponsor.</p>

## DC Specific Policies

For members who do not wish to take an active role in managing their investment choices, three Lifestyle strategies are available as low-involvement options targeting Income Drawdown, Annuity or Cash at retirement. The primary default strategy for members is the Drawdown Targeting Lifestyle Strategy. A small number of members use the Cash Targeting Lifestyle Strategy as a default arrangement

The default strategies manage risk automatically by moving from higher to lower risk funds as members approach their selected retirement age.

In addition to the three Lifestyle strategies, the Trustee makes available to members a range of self-select funds which provide members with a diversified range of investment options covering the main asset classes, ranging from low to high risk / return options.

### The Investment Strategy

With the help of Aon, the Trustee completed the triennial investment strategy review of the DC section in 2022. This was agreed by the Trustee at the 10 March 2022 and, based on the review the Trustee agreed to change the Cash and Income Drawdown Targeting Lifestyle Strategies by removing the investments in emerging markets due to concerns about geopolitical risks. This change was implemented in May 2023.

The next investment strategy review is due to take place by March 2025.in

Based on the advice the Trustee received as part of the most recent strategy review and subsequent updates from Aon during the year, the Trustee is comfortable that the Scheme provides a suitable range of investments and that, following the implementation of the agreed changes, the default strategies are aligned with the Trustee's objectives and are expected to meet the needs of members.

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### Risks

Based on advice and updates provided by Aon, The Trustee is comfortable that the agreed investment strategy appropriately manages the various key risks associated with DC investments.

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## Our fund of fund manager's engagement activity

We invest some of the Scheme's assets in Aon Diversified Liquid Credit Strategy. This is a fund of funds arrangement, where Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

## Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 30 June 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - Developed Balanced Factor Equity Funds	11,596	99.9%	20.7%	0.1%
Standard Life Investments - Vanguard Emerging Markets Stock Index Pension Fund	26,510	98.0%	7.0%	2.0%
Standard Life Investments - SL Vanguard FTSE UK All Share Index Pension Fund	10,387	99.0%	0.0%	0.0%
Standard Life Investments - SL Vanguard FTSE Developed World ex UK Pension Fund	27,467	98.0%	4.0%	0.0%

Source: Managers

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

### Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

**Description of use of proxy voting advisers**  
(in the managers' own words)

<b>LGIM</b>	<p>LGIM's Investment Stewardship team uses <b>Institutional Shareholder Services</b> ("ISS") ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.</p>
<b>Standard Life</b>	<p>Vanguard Investment Stewardship team votes on behalf of Vanguard's internally managed equity holdings. Vanguard casts proxy votes via dedicated voting providers. We consult a wide variety of third-party research providers and our own internal proprietary databases. We then analyze the various issues and ballot measures in conjunction with our Proxy Voting Guidelines and other relevant data to reach our own independent decisions. The Investment Stewardship team uses a variety of research from well-known providers, such as ISS, Glass Lewis, and Equilar, as well as a number of smaller research providers.</p> <p>We do not rely on recommendations from proxy advisors for our voting decisions. We believe it is valuable to understand all sides of an issue before casting a vote on behalf of a Vanguard fund. As such, proxy advisors can be a useful data aggregator which serves as one of the many inputs that Vanguard's Investment Stewardship team uses to reach independent voting decisions on each funds' behalf.</p>

Source: Managers

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM - Developed Balanced Factor Equity Index Fund	306	1,224	Environment - Climate change Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness - Diversity, Remuneration, Strategy/purpose and others.
Schroders (held within the Aon Diversified Liquid Credit Fund) International Selection Fund ("ISF") Securitised Credit Fund	Not provided	>2,800	Environment – Climate change Social – Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations)
Barings (held within the Aon Diversified Liquid Credit Fund) Short Dated Credit	476	760	Environment – Climate change, Natural resource use/impact (e.g. water, biodiversity) Social – Public health Governance – Board effectiveness - Diversity Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose
Standard Life Investments - Vanguard Emerging Markets Stock Index Pension Fund			<i>Not provided</i>
Standard Life Investments - Vanguard UK Investment Grade Bond Index Pension Fund			<i>Not provided</i>
Standard Life Investments - Vanguard FTSE UK All Share Index Pension Fund			<i>Not provided</i>
Standard Life Investments - Vanguard FTSE Developed World ex UK Pension Fund			<i>Not provided</i>

Source: Managers. Schroders did not provide fund level themes; themes provided are at a firm-level.



## Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Schroders did not provide number of engagements at funds level.
- Vanguard did not provide fund level engagement examples for all the funds and significant voting example on its Emerging Markets Stock Index Pension Fund.

This report does not include commentary on the Scheme's investments in gilts or cash because of the limited materiality of stewardship to these asset classes.

## Appendix – Significant Voting Examples

In the table below is a significant vote example provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

<b>LGIM - Developed Balanced Factor Equity Index Fund</b>	<b>Company name</b>	Wells Fargo & Company
	<b>Date of vote</b>	25 April 2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.3
	<b>Summary of the resolution</b>	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
	<b>How you voted</b>	For (Against Management Recommendation)
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
	<b>Rationale for the voting decision</b>	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
	<b>Outcome of the vote</b>	30.8% (Fail)
	<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	LGIM will continue to engage with the company and monitor progress.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Pre-declaration and Thematic – Climate: LGIM consider this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.
<b>Standard Life Investments - Vanguard FTSE UK All Share Index Pension Fund</b>	<b>Company name</b>	BP plc
	<b>Date of vote</b>	27 April 2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	<i>Not provided</i>
	<b>Summary of the resolution</b>	Approve Shareholder Resolution on Climate Change Targets
	<b>How you voted</b>	Against

Standard Life Investments - Vanguard FTSE UK All Share Index Pension Fund	Where you voted against management, did you communicate your intent to the company ahead of the vote?	<i>Not provided</i>
	Rationale for the voting decision	Determined the proposal addressed material risk(s) and company had taken sufficient actions and/or had related actions pending to address the proponent request.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<i>Not provided</i>
	On which criteria have you assessed this vote to be "most significant"?	<i>Not provided</i>
	Company name	Berkshire Hathaway Inc.
	Date of vote	6 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Report on Physical and Transitional Climate-Related Risks and Opportunities
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	<i>Not provided</i>
	Rationale for the voting decision	Determined the proposal addressed material risk(s), a gap in oversight or disclosure, and supported long-term investment returns. Proposal not determined to be overly prescriptive.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<i>Not provided</i>
	On which criteria have you assessed this vote to be "most significant"?	<i>Not provided</i>

Source: Managers