

Appendix

The OCS Group Transfer of Undertakings Pension Scheme – Implementation Statement for year ending 31 March 2024

Statement of Compliance for The OCS Group Transfer of Undertakings Pension Scheme’s (“the Scheme”) Stewardship and Engagement Policy for the year ended 31 March 2024.

Introduction

The Trustee prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and subsequent amending legislation, and those of the Pensions Regulator’s General Code of Practice. It sets out how the Trustee has complied with the Scheme’s Stewardship and Engagement Policy during the period from 1 April 2023 to 31 March 2024. These regulations require the Trustee to set out how and the extent to which the policy has been complied with over the Scheme year.

Overall, the Trustee is satisfied that:

- The Scheme’s investments have been managed in accordance with the Scheme’s Stewardship Policy during the period;
- The Scheme’s investments have been managed in accordance with the remainder of the Scheme’s Statement of Investment Principles; and
- The provisions of the Statement of Investment Principles remain suitable for the Scheme’s members.

Statement of Investment Principles (SIP)

The Statement of Investment Principles sets out the principles and practices the Trustee follows when governing the Scheme’s investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used, as well as the Trustee’s approach to responsible investing (including climate change).

No changes were made to the SIP during the period. The Statement was last reviewed in December 2022 and is scheduled for review in Q4 2024.

The Trustee has prepared this Implementation Statement on the basis of the SIP in force throughout the period, with reporting within this document in line with the SIP applicable at the relevant time.

The Scheme’s SIP can be consulted online at <https://ocstupe.pensions-directory.co.uk/>.

Scheme year investments

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Scheme’s investments are governed and managed, in accordance with the Scheme’s Trust Deed and Rules, as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee has set objectives for the Scheme’s investment adviser designed to align with the Trustee’s own objectives and investment strategy as set out in the SIP.

The suitability of these objectives was last reviewed by the Trustee in December 2023 and is scheduled for review no later than Q4 2024.

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Scheme year investments (continued)

The Trustee carried out an evidence-based review of the investment adviser's performance against these objectives in December 2023. This involved rating the adviser against the different objectives. The Trustee was satisfied that the objectives had been achieved for the year.

The Trustee has undertaken training during the last year to ensure that their knowledge of investment matters remains up to date.

The Trustee has developed a set of Investment Beliefs which it uses as a guide when making investment decisions. These beliefs were considered and used to help inform decision making with respect to the Scheme's investments over the reporting period.

The investment risks and expected return relating to the Scheme are described in the SIP on page 2.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme.

The Scheme's asset managers have conflicts of interest policies in place. The Trustee formally asks managers to confirm any conflicts of interest when managers meet with the Trustee. Managers have not disclosed any potential or actual conflict over the period.

Stewardship and Engagement policy

The Trustee's Stewardship and Engagement Policy sets out how the Trustee will behave as an active owner of the Scheme's assets. The policy includes the Trustee's approach to the exercise of voting rights attached to assets, and their approach to undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship and Engagement Policy can be found within the SIP. The Stewardship and Engagement Policy is reviewed in line with the Scheme's SIP on a periodic basis, which was last reviewed in December 2022. There were no changes made to the Stewardship and Engagement Policy during the last year.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with its investment managers, which is undertaken in conjunction with its investment adviser. The Trustee meets regularly with its managers and considers its managers' exercise of stewardship both during these meetings and through reporting provided by its investment adviser annually.

The Trustee also monitors its compliance with its Stewardship and Engagement Policy on an annual basis and are satisfied that it has complied with the Scheme's Stewardship Policy over the last Scheme year.

Engagement activity

The Trustee holds meetings with its investment managers on an annual basis where stewardship issues are discussed in further detail. Over the past 12 months, the Trustee met with all of its managers. The Trustee has discussed the following issues over the course of the year.

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Engagement activity (continued)

Table - Trustee's engagement activity with investment managers over the year to 31 March 2024

Manager	Date of meeting	Topics discussed	Outcome
Schroders	19 October 2023	Business update; gilt and swap market overview; investment and performance review; collateral sufficiency of the portfolio, collateral monitoring and management; impact of volatility in yields/inflation on hedge ratios; manager approach to governance and sustainability, including the Green Gilts market and the role of ESG factors and stewardship as part of their credit assessment	<p>The Trustee was content with the presentation, as it improved the Trustee's understanding of the investment process and performance of the assets.</p> <p>Following the gilts crisis, Schroders explained that they now place a greater emphasis on stronger governance, integrated liquidity management, increased staffing levels and greater breadth of platform to support all client needs.</p> <p>The Trustee also discussed the current liability benchmarking process versus adopting a different 3D cashflow approach which more accurately captures the inflation sensitivity inherent within the liability cashflows to reflect the difference between the pre- and post-retirement requirements.</p> <p>Besides that, Schroders confirmed that 'Green gilts' will only be included in the portfolio if the yield is comparable with 'normal' gilts.</p> <p>The Trustee requested that both Hymans Robertson and Schroders run their benchmarking process in tandem for 6 months to test the accuracy of Schroders methodology. Following the meeting, Schroders confirmed they were unable to accommodate this request. As a result, the Trustee decided to continue with the current approach.</p>
M&G AOF	19 October 2023	Business update; investment and performance review; broad opportunities within the MAC sector; response to various crises since 2008 and impact on assets; opportunities in Real Estate in the credit sector; and engagement examples with issuers	<p>The Trustee was content with the presentation, as it improved the Trustee's understanding of the investment process and performance of the assets.</p> <p>The Trustee noted that M&G have a large research team that analyses ESG credentials and uses ESG scorecards to rate them. M&G has rated c2200 issuers in the European credit market.</p>

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Engagement activity (continued)

Manager	Date of meeting	Topics discussed	Outcome
Insight	19 October 2023	Business update; investment and performance overview; recap on ABS as an asset class; business and market update; how ESG factors are incorporated within the fund	The Trustee was content with the presentation, as it improved the Trustee's understanding of the investment process and performance of the assets. The Trustee noted that there has been less scope to incorporate ESG factors in ABS investments historically due to the nature of the asset class but noted their wider ESG and DEI policies of the firm overall, which Insight took the time to explain at the meeting.

Summary of manager engagement activity

The following table summarises the key engagement activity for the 12-month period ending 31 March 2024 unless stated otherwise. Where fund specific data is not available, data on a firmwide level has been used.

Table – Summary of management activity

Fund	Number of engagements	Topics engaged on
Insight High Grade ABS Fund*	No voting rights for the Fund. At the strategy level, there were between 60-70 total engagements across 55 entities. At a firm wide level, there were 2521 total engagements, with over 850 separate engagement meetings; engaged with 571 entities, for the period 1 April 2023 to 31 March 2024.	At a firmwide level, Insight commonly engaged with entities on ESG issues such as strategy, financial and reporting, climate change, natural resource use and impact, pollution, board effectiveness, shareholder rights, remuneration, financial reporting, and risk management (including cyber and operational risk).
M&G Alpha Opportunities Fund ("AOF")	No voting rights for the Fund. For the Alpha Opportunities Fund: 10 engagements across 9 issuers within the fund for period 1 April 2023 to 31 March 2024. M&G's engagement with issuers were primarily performed via manager meetings or collective engagement with other industry participants.	Climate change, net zero/decarbonisation, human capital management, diversity and inclusion, executive remuneration.
Schroders segregated portfolio (LDI)**	No voting rights for the portfolio. There were over 30 LDI counterparty and wider industry engagements, performed via manager meetings and calls, over the 12 months to 31 December 2023.	Climate risk and oversight, and alignment.

Source: Investment managers

* Insight have provided the number of engagements at the firm and strategy level. The number of engagements unique to the fund was not available.

** Schroders update for engagement activity provided is for the 12 months to 31 December 2023.

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Review of Managers' Responsible Investment policies

The Trustee has committed to reviewing the managers' Responsible Investment ('RI') policies on an annual basis to encourage managers to continue to improve and evolve their practices. The review was last conducted in October 2023, and considered managers' broader approach to RI issues and any change in approach by the managers over the year. The Trustee also considered changes to its managers' stewardship policies, assessing whether RI considerations have been considered as part of investment decisions, and whether engagement is taking place with businesses in which the manager invests.

The Trustee and its advisers remain satisfied that the responsible investment policies of the managers are appropriate. The Trustee and its advisers will next review the responsible investment policies of the managers in Q4 2024.