

Annual Implementation statement

1. Introduction

This statement sets out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") and their policy on the exercise of their investment rights and engagement in respect of investments during the year to 5 April 2020. This statement has been produced in accordance with The Occupational Pension Schemes (Disclosure of Information) Regulations 2013.

2. Investment Objectives of the Scheme

The Trustees believe it is important to consider their policies in place in the context of the investment objectives they have set.

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries over the lifetime of the liabilities. The Trustees consider that their broad objective is to invest the Scheme's assets in such a manner that members' entitlements can be paid when they fall due. As a key step to achieving this, the Trustees, following consultation with the Sponsoring Employer, entered into an irrevocable bulk annuity contract issued by Aviva Plc. The Trustees also hold Keep Trust Money Purchase units at Legal & General and have investments in AVCs.

The Trustees' key short term objective is to ensure an efficient progression towards an insurer buy-out of the Scheme's liabilities.

The Trustees' objectives in investing the AVCs are:

- To inform members about their investment options, particularly in relation to the potential risks and rewards of each option.
- To monitor and take advice on the suitability of the investment options provided.
- To encourage members to seek impartial guidance and/or financial advice where required from an appropriate organisation or person to assist in determining the most suitable option.

With regard to the Keep Trust Money Purchase assets, it is the Trustees' policy to consider:

- The suitability of the possible styles of investment management and the option of manager diversification for members.
- The need for appropriate diversification both across asset classes and within asset classes.
- The Keep Trust Money Purchase assets are invested in a range of investment options, including corporate bond, gilt and index linked gilt funds. Both active and passive funds are used. The Keep Trust Money Purchase assets are invested in line with the overall strategy of the Scheme prior to the buy in. However, the Trustees are currently reviewing this with a view to moving these assets to a more appropriate money purchase arrangement.

It is also the Trustees' policy to provide suitable information to members so that they can make appropriate investment decisions.

Each fund used in the Scheme has an associated benchmark or target which the Trustees view as the expected return. Passive funds are expected to match their benchmark. Active funds are expected to outperform their target.

3. Review of the SIP

During the year, the Trustees reviewed the Scheme's SIP in June and September 2019.

In June 2019, the SIP was updated to reflect the Scheme's decision to appoint Aviva as the Scheme's bulk annuity provider.

A revised SIP was agreed in September 2019 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to include policies in relation to:

- What financially material considerations are taken into account in selecting and retaining the Scheme's investments including ESG considerations and specifically, climate change.
- The extent to which non-financial matters are taken into account in selecting and retaining investments – that is, the views of Scheme members and beneficiaries on ethical, social and environmental matters.
- The approach to stewardship of investments – that is, exercising investment voting rights and engaging with companies in which the Trustees invest.

4. Investment Strategy Review

As noted above, all of the Scheme's assets are represented by the bulk purchase annuity policy with Aviva, with the exception of units held in relation to the Keep Trust Money Purchase Section members and AVCs. The bulk annuity policy was purchased in June 2019.

The Keep Trust Money Purchase Section assets are invested in gilt and corporate bond funds. No changes were made to the investment strategy during the year to 5 April 2020. However, the Trustees are currently reviewing the Keep Trust Money Purchase Section assets with a view to moving these assets to a more appropriate money purchase arrangement. The investment strategy is being considered as part of this review.

Assessment of whether the policies in the SIP have been followed for the year to 5 April 2020

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 Scheme.

	Requirement	Policy	In the year to 5 April 2020
1	Securing compliance with the legal requirements about choosing investments	<i>Trustees obtain advice from their investment adviser, who can provide expert advice enabling the Trustees to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustees' opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</i>	As of June 2019, the Scheme's principal asset is the bulk purchase annuity policy with Aviva. As a result, all of the Scheme's assets are represented by this policy, with the exception of units held in relation to the Keep Trust Money Purchase Section members and AVCs. No other new investments were implemented over the period.
2	Kinds of investments to be held	<i>For the DB section of the Scheme, the Trustees agreed to appoint Aviva as the bulk annuity provider for the Scheme. A range of asset classes are included within the Keep Trust Money Purchase assets, including: corporate bonds, gilts and index linked gilts.</i>	For the DB section of the Scheme, the Trustees have secured members' benefits under a bulk purchase annuity issued by Aviva. As a result, all of the Scheme's assets are represented by this policy, with the exception of units held in relation to the Keep Trust Money Purchase Section members and AVCs. The Keep Trust Money Purchase assets are invested in a range of investment options including corporate bond, gilt and index linked gilt funds. Both active and passive funds are used. The Keep Trust Money Purchase assets are invested in line with the overall strategy of the Scheme prior to the buy-in (in June 2019). However, the Trustees are currently reviewing this with a view to moving these assets to a more appropriate money purchase arrangement.

Trustees' Report

3	The balance between different kinds of investments	<p><i>Within the Keep Trust Money Purchase Section, the assets relating to these benefits are currently being held in a variety of gilt and corporate bond funds that reflected the overall strategy of the Scheme prior to buy-in</i></p> <p><i>It is the Trustees' policy to consider:</i></p> <ul style="list-style-type: none"> - <i>The suitability of the possible styles of investment management and the option of manager diversification for members.</i> - <i>The need for appropriate diversification both across asset classes and within asset classes.</i> - <i>The Keep Trust Money Purchase assets are implemented using a range of investment options including corporate bond, gilt and index-linked gilt funds</i> 	<p>The Keep Trust Money Purchase assets are invested in line with the overall strategy of the Scheme prior to the buy-in. However, the Trustees are currently reviewing this with a view to moving these assets to a more appropriate money purchase arrangement.</p>
4	Risks, including the ways in which risks are to be measured and managed	<p><i>The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the Keep Trust Money Purchase assets of the Scheme.</i></p>	<p>As detailed in the risk table in the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. The table of risks and how they are measured and managed was updated in September 2019 as part of a SIP review.</p> <p>The Scheme also maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions.</p> <p>The Trustees considered all material risks before the purchase of the bulk annuity policy from Aviva, including counterparty, liquidity and diversification risks.</p> <p>The Trustees are currently reviewing the Keep Trust Money Purchase assets with a view to moving these assets to a more appropriate money purchase arrangement. This review is considering risk, both investment and operational.</p>

Trustees' Report

5	Expected return on investments	<p><i>The funds available within the Keep Trust Money Purchase section are expected to provide an investment return commensurate with the level of risk being taken.</i></p> <p><i>When considering how to invest the Keep Trust Money Purchase assets following the buy-in in June 2019, the Trustees explicitly considered the trade-off between risk and expected returns.</i></p> <p><i>Each fund used in the Scheme has an associated benchmark or target which the Trustees view as the expected return. Passive funds are expected to match their benchmark. Active funds are expected to outperform their target.</i></p>	<p>Investment performance is reviewed by the Trustees on a regular basis. Legal & General produce quarterly investment performance reports which include how each investment manager is delivering against their specific targets or benchmarks.</p> <p>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.</p> <p>The bulk annuity policy purchased from Aviva is designed to provide cashflows which mirror the benefits due to DB section members.</p>
6	Realisation of investments	<p><i>The Trustees' administrators will realise assets following member requests on retirement or earlier where required.</i></p> <p><i>The Trustees consider the liquidity of the investment in the context of the likely needs of members.</i></p>	<p>The Trustees receive an administration report on a bi-annual basis to ensure that core financial transactions are processed within SLAs and regulatory timelines. As confirmed in the Chair's Statement, the Trustees are satisfied that requirements were met throughout the year.</p> <p>All Keep Trust Money Purchase funds are weekly dealt pooled investment vehicles and the investment managers have discretion over the management of assets to ensure sufficient liquidity. These pooled funds are themselves regulated and underlying investments are all in regulated markets, and therefore should be realisable at short notice, based on member or Trustees' demand.</p> <p>The bulk annuity policy purchased from Aviva is not generally a realisable asset.</p>
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p><i>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 factors, is delegated to the investment manager.</i></p> <p><i>The Investment manager is 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.</i></p>	<p>The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('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. In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This training was provided in June 2019. Following this training, the Trustees agreed that all ESG matters would be delegated to LGIM given the pooled fund arrangements of the Scheme and the SIP was updated to that effect.</p> <p>The Trustees keep their policies under regular review with the SIP subject to review at least triennially.</p>

Arriva Pension Scheme

Annual Report for the year ended 5 April 2020

Trustees' Report

8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<i>Member views and non-financially material issues are not currently explicitly taken into account in the selection, retention and realisation of investments. The Trustees would reflect upon any member views communicated to the Trustees.</i>	The Trustees have complied with this policy.
9	The exercise of the rights (including voting rights) attaching to the investments	<i>Investment managers are expected to evaluate all financially material 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.</i>	Neither the buy-in policy purchased from Aviva, nor the current Keep Trust Money Purchase Section assets have voting rights attached, and therefore, Corporate Governance voting issues are not relevant to the Scheme.
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	<p><i>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.</i></p> <p><i>As the Trustees invest in pooled investment vehicles they accept that they limited ability to influence investment managers to align their decisions with the Trustees' policies. If the investment objective of a particular fund changes, the Trustees will review the use of that fund to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.</i></p> <p><i>Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.</i></p>	<p>As the Keep Trust Money Purchase Section assets invest solely in pooled funds, the Trustees requires their investment manager to engage with the investee companies on their behalf.</p> <p>Neither the buy-in policy purchased from Aviva, nor the current Keep Trust Money Purchase Section assets have voting rights attached, and therefore, Corporate Governance voting issues are not relevant to the Scheme</p>

Trustees' Report

11	Asset manager arrangements	<p><u>Main asset</u></p> <p><i>The Scheme's principal asset is a bulk annuity policy issued by Aviva plc. The Trustees are unable to incentivise the insurer, remunerate it or monitor portfolio turnover costs as these are not applicable to a bulk annuity.</i></p> <p><u>Keep Trust Money Purchase Section</u></p> <p><i>The Trustees appoint investment managers based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The Trustees look to their investment advisor for a forward looking assessment of a manager's ability to achieve their objective. The advisor's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.</i></p> <p><i>As the Trustees invest in pooled investment vehicles they accept that they limited ability to influence investment managers to align their decisions with the Trustees' policies. If the investment objective of a particular fund changes, the Trustees will review the use of that fund to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.</i></p> <p><i>The Trustees expect investment managers to incorporate the consideration of longer term factors, such as ESG factors, into their decision making process where appropriate. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustees also consider 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.</i></p> <p><i>However, the current Keep Trust Money Purchase Section assets have no voting rights attached, and therefore, Corporate Governance voting issues are not relevant to</i></p>	<p>The Trustees have undertaken reviews as provided for in their policy and are currently reviewing whether Keep Trust Money Purchase assets can be moved to a more appropriate money purchase arrangement.</p>
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