

Implementation Statement

C-MAC Pension Plan (“the Plan”)

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement called an Implementation Statement ("IS") which outlines the following:

- A description of any review and changes made to the Statement of Investment Principles ("SIP") over the Plan year;
- Evidence of how the Trustee has fulfilled the objectives and policies included in the SIP over the Plan year; and
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Plan year and state any use of third-party provider of proxy voting services.

The IS has been prepared by the Trustee and covers the Plan year from 6 April 2021 to 5 April 2022.

Executive summary

Based on the activity carried out by the Trustee and its investment managers over the year, the Trustee is of the opinion that its policies have been implemented effectively in practice. The Trustee notes that all of its investment managers were able to disclose evidence of voting and or engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Plan invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Plan, and with other third parties that the Trustee relies on such as its investment advisers. The Trustee will monitor, assess and ultimately hold them to account to make sure that the assets of the Plan are appropriately invested.

1. Review and changes made to the SIP over the year

The Trustee has a policy to review the SIP formally at least every three years, or after any significant change in investment policy or member demographics.

The SIP was not formally reviewed during the year to 5 April 2022 and was last updated on 25 September 2020.

The changes made took account of regulatory changes which required the Trustee to outline policies regarding:

- How it incentivises investment managers to achieve their long-term objectives;
- Cost transparency;
- Voting and stewardship; and
- How its policies align with that of the sponsoring employer in relation to sustainability.

The Trustee sought input on these changes from their investment adviser and the Sponsoring Employer. The latest version of the SIP is available for members to view here:

<https://www.apexgroup.com/statement-of-investment-principles/c-mac-pension-plan/>

2. Meeting the objectives and policies outlined in the SIP

This section details how the investment policies and objectives stated in the SIP have been adhered to and achieved in practice over the course of the year to 5 April 2022.

a. To ensure members have an appropriate choice of assets for investment

For members who do not wish to make an active investment decision, a default lifestyle arrangement targeting a benefit consisting of 75% annuity and 25% cash is in place, which gradually moves members from higher risk growth seeking assets to lower risk capital preservation assets as they approach retirement. In addition, there are 2 further lifestyle arrangements and 10 self-select funds available, which members can choose from depending on their risk appetite and if they are comfortable making their own investment decisions.

The default lifestyle arrangement was formally reviewed on 3 December 2020. This review considered suitability of the default arrangement and other fund options with reference to the membership demographics and how members access their benefits, as well as industry data and wider trends. The Trustee decided that retaining the existing default arrangement would best meet the needs of the membership. No changes were made to the two alternative lifestyle strategies, one targeting cash at retirement and one targeting income drawdown. Prudential separately also announced the closure of three funds currently available within the Plan's freestyle choices. However, as no members are actively choosing to opt out of the default lifestyle arrangement, it was decided that it was reasonable for the Trustee to accept the default replacement funds offered by Prudential.

The Trustee receives and reviews semi-annual monitoring reports from its investment advisers, Aon, which provides information regarding the short and long-term performance of all the funds offered to members, including the default lifestyle arrangement. These reviews did not raise concern over the adequacy of the investment strategy to meet the Trustee's objectives stated above.

Since there are a range of options available to members covering the main asset classes and different levels of risk, the Trustee is comfortable that it has met its objective of providing a range of investments suitable for members.

b. To enable members to benefit from investment in assets which are expected to produce a return in excess of inflation until they reach retirement.

The Trustee receives semi-annual monitoring reports from its investment advisers, Aon, which provide information regarding the short and long-term performance of the funds offered to members.

All of the lifestyle funds produced returns below inflation. This is not surprising, with most measures of UK inflation now at their highest levels for 30 years, and the UK consumer price index (CPI) up 7.0% over the year to March. One of the drivers of inflation has been soaring energy prices, with natural gas and crude oil rising strongly towards the end of 2021. Inflation going into 2022 has continued, propelled by further rises in production costs in supply chains, primarily in the manufacturing industry. This is widespread, all the way from steel to cement, from semiconductors to oil and freight costs. It should be noted that the Prudential Long Gilt Fund and Prudential Cash Fund are not expected to match inflation as these funds act to match annuities purchased at retirement.

The funds continue to outperform their individual benchmarks over the longer term and the Trustee does not have any immediate concerns over performance. The Trustee will continue to assess performance using the monitoring reports and remains satisfied that this objective will be met once inflation returns to more usual levels. However, if its investment advisers propose actions to be taken, then the Trustee will act accordingly.

Fund	5-year performance (% p.a.)	Inflation (% p.a.) based on CPI*	Relative
Prudential Long Gilt Fund	0.9	7.0	-6.1
Prudential BlackRock Aquila Consensus Index Fund	6.2	7.0	-0.8
Prudential Discretionary Fund	5.8	7.0	-1.2
Prudential Cash Fund	0.4	7.0	-6.6
Prudential Dynamic Growth IV	5.4	7.0	-1.6
Prudential Dynamic Growth II	4.3	7.0	-2.7

Source: Prudential

Performance is shown gross of fees and annualised.

*Consumer Price Index year to 31 March 2022

c. To provide members with an investment choice that seeks to reduce the volatility in investment returns

During the course of the year, the Trustee has made available a range of fund options to members covering the main assets classes and different levels of risk. Options such as the Prudential Long Gilt Fund and the Prudential Cash Fund are considered to be of lower risk and volatility. Higher risk and higher volatility options are also provided through other funds such as the equity funds, which are available as part of the self-select range, or as part of the default lifestyle arrangement. An investment strategy review was completed on 3 December 2020 and the Trustee believes the investment range remains suitable for members. The Trustee is comfortable that it has met its objective of providing members with an investment choice that seeks to reduce risk and volatility in the returns achieved.

d. Funding Objective – "Where required.... to ensure the Plan has sufficient assets available to pay the Guaranteed Minimum Pension ("GMP") as and when they arise."

The actuarial valuation at 6 April 2020 was completed on 1 July 2021 and showed a deficit of £2,312K on the technical provisions basis, with an approximate allowance made for GMP

equalisation. The Trustee and Plan Actuary discussed how the objective can be met and a Recovery Plan, dated 1 July 2021, has been agreed between the Trustee and the Company to remove the deficit, with quarterly contributions of £100,000 being paid between 31 July 2021 and 30 April 2026 inclusive. The Plan has had sufficient assets to meet the GMP payments over the year as and when they have arisen, This objective is therefore currently met.

e. Security Objective – To ensure that the Solvency position of the Plan is expected to improve

The actuarial valuation at 6 April 2020 showed a solvency deficit of £4,739K, with an approximate allowance made for GMP equalisation. The solvency position is likely to have improved over the year to 5 April 2022 and to continue improving, due partly to the deficit contributions agreed under the Recovery Plan dated 1 July 2021. This objective is therefore met.

f. “Stability Objective” – To have due regard to the Company's ability in meeting its contribution payments given their size and incidence

Quarterly employer contribution commenced from 31 July 2021 as part of the Recovery Plan agreed between the Trustee and the Company to remove the deficit. These contributions have been paid with no issues in the Company's ability to make the agreed payments. This objective is therefore met.

In addition to the above investment objectives, the Trustee has several policies set out in the SIP. Below, the Trustee has explained how these have been met.

g. Choosing Investments – The SIP states that 'The Trustee's policy is to obtain advice concerning the continued appropriateness of the investment strategy, investment manager and the range of funds available every three years, or sooner in the event of any significant changes to their investment objectives.'

The Trustee continues to take advice from its investment advisers, Aon, regarding the appropriateness of the investments for members.

h. Social, Environmental or Ethical Considerations – The SIP states that 'the Trustee expects the Plan's investment managers to, where appropriate, engage with investee companies with the aim to protect and enhance the value of the assets and exercise the Trustee's voting rights in relation to the Plan's assets.'

The Trustee, through receipt and due consideration of voting data from the Plan's platform provider, Prudential, can see that the investment managers are actively voting on their behalf and engaging with investee companies on behalf of the Trustee. Further detail of this is provided in the Voting and Engagement section.

i. Effective Decision Making – The SIP states that 'The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. It also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice received.'

The Trustee continues to take advice from its investment advisers, Aon, regarding the appropriateness of the investments for members. An investment strategy review was completed on 3 December 2020. This review considered suitability of the default arrangement and other fund options with reference to the membership demographics and how members access their benefits, as well as industry data and wider trends. The Trustee took advice from its investment advisers, Aon, and decided that retaining the existing default arrangement would best meet the needs of the membership.

Investment monitoring takes place on a semi-annual basis with a monitoring report being provided to the Trustee by its investment advisers, Aon. The reports monitor performance of the Plan against benchmark and target and highlight any areas for action or concern. Fund performance is evaluated by based on Aon's PlanWatch methodology. This assigns red, amber or green ratings to fund

performance over the short and long term. Any funds that are assigned a 'Red' rating are monitored closely by Aon and discussed with the Trustee. Over the period, several funds received amber ratings; however, as these funds outperformed their benchmarks over the longer term, there were no immediate concerns with performance and no actions were recommended.

The Trustee is an independent professional organisation, which acts as a trustee across a number of different pension schemes. Internal processes exist within the organisation to ensure employees are appropriately trained and conversant with Plan documentation and undertake continuous professional development throughout the year in line with the requirements of their professional organisation.

The Trustee has engaged with their professional advisers regularly throughout the period to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions, this has required knowledge of key Fund documents such as the Trust Deed & Rules, Trustee Report & Accounts and SIP.

Given this and the advice provided by their advisers, the Trustee considers that it is well placed to effectively make appropriate decisions regarding the investments of the Plan.

3. Voting and engagement activity undertaken over the year

Executive summary

The DC Section of the Plan invests in pooled funds across a range of asset classes, and the Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's investment managers in whose funds it invests.

As part of the production of this statement, the Trustee – supported by its investment advisers, Aon – has reviewed the voting and engagement activities carried out on its behalf by the Plan's investment managers. Where the stewardship of managers is found to be falling short of the standards set out by the Trustee (exercising votes and engaging in order to create long-term financial value), the Trustee may take further action – for example by meeting with the manager in question or requesting that Aon engage on its behalf.

All of the Plan's investment managers have provided commentary regarding their approach to voting, including the use of any proxy voting services provided (relevant for equity managers only) as well as their approach to engaging with underlying security issuers. The Trustee acknowledges that the concept of stewardship may be less applicable with respect to fixed income and property investments, particularly for short-term money market instruments and gilt investments. As such, these investments have not been covered in this statement.

The majority of the Plan's investment managers have also provided examples of significant votes. There are a number of different criteria under which investment managers can determine whether a vote is significant. Each manager has their own criteria, with examples including:

- a vote where a significant proportion of the votes (e.g., more than 20%) went against the management's proposal
- a vote where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to a wider engagement initiative with the company involved
- a vote that demonstrates clear and considered rationale;
- a vote that the client considers inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Plan.

The Trustee's definition of a significant vote is broadly consistent with the managers' definitions; therefore, the examples given in the appendices below are also aligned with the Trustee's definition of a significant vote.

Having reviewed the commentary provided by the investment managers, the Trustee believes that the stewardship carried out on its behalf over the Plan year has been adequate, noting how the examples provided show the willingness and ability of the Plan's investment managers to take proactive votes against management where appropriate.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Plan invests in. Accordingly, the Trustee continues to expect improvements over time in line with the increasing expectations on investment managers and its significant influence to generate positive outcomes for the Plan through considered voting and engagement.

Voting and Engagement activity – Multi Asset funds

Over the year, the material equity and multi-asset investments held by the Plan were:

Manager	Fund
Prudential	Prudential Discretionary Fund
BlackRock	BlackRock Aquila Consensus Fund

Prudential - Discretionary Fund

Prudential acts as the platform provider for the Plan and invests in a number of funds on behalf of the Trustee. The Prudential Discretionary fund holds the M&G PP Discretionary fund that in turn holds 7 other equity funds. The M&G Discretionary Fund is a fund of funds with underlying fund managers including M&G Investments, Eastspring Investments, and Prudential Portfolio Managers. The voting is carried out by the fund managers invested in by M&G via Prudential on behalf of the Trustee. The details in the following section are an overview of the voting policies of these three fund managers who have the largest asset allocation within the Discretionary Fund:

M&G voting policy

M&G uses research provided by proxy voting advisers ISS and the Institutional Voting Information Services ("IVIS"). M&G uses ISS's Proxy Exchange voting platform to manage its proxy voting activity. M&G makes voting decisions in the best interests of clients and takes into account a wide range of factors. Whilst M&G does not solicit clients' views when making a voting decision, it takes them into account if they are known to M&G. By exercising its votes, M&G seeks to add value to its clients and to protect its interests as a shareholder.

Eastspring Investments ("Eastspring") voting policy

Eastspring follow a principles-based approach to proxy voting. All votes it exercises are considered in the context of the principles it sets out in its proxy voting policy. As a general policy it is supportive of the management of the companies in which it invests. However, when companies consistently fail to achieve its expectations, Eastspring will actively promote changes. Eastspring consider the issues, meet the management if necessary and vote accordingly. Eastspring would always seek to discuss any contentious resolutions before casting its votes in order to ensure that its objectives are understood, and its votes will be cast in the best interests of investors and clients.

Eastspring did not disclose which proxy voting provider it uses. The Trustee plans to engage with the platform provider, M&G, to improve the quality of its reporting going forwards, including that from the underlying managers.

Prudential Portfolio Managers America voting policy ("Prudential")

Prudential uses the services provided by proxy voting adviser ISS and it uses the ProxyExchange platform from ISS for managing our proxy voting activity.

As an active and informed manager, it considers the issues, meets the management if required and then votes accordingly.

Prudential believes each fund manager will use its own approach to determine the most significant votes. For this consolidated return, the approach taken is to consider all of the votes provided by the managers and include those with the largest exposure.

The table below shows the voting statistics for M&G's PP Discretionary Fund for the period to 31 December 2021*:

Number of resolutions eligible to vote on over the period	23,477
% of resolutions voted on for which the fund was eligible	96.8%
Of the resolutions on which the fund voted, % that were voted against management	6.3%
Of the resolutions on which the fund voted, % that were abstained from	0.8%

*voting statistics for period for 1 April 2021 to 31 March 2022 have been requested, but not received at the time of writing.

Voting example: REC Ltd

M&G's starting position is to be supportive of the management of companies in which it invests. However, there are occasions when company boards put forward resolutions that it feels are not in the best interests of the company. In May 2021, M&G voted against management of REC Limited, an Indian public Infrastructure Finance Company in India's power sector. M&G voted against the proposal to re-elect Praveen Kumar Singh as Director. M&G voted against the proposal as it was concerned that there is a lack of diversity on the Board and there is a low-level of independence across the board as a whole. The vote was passed.

Engagement policy

M&G developed its engagement process through adopting the Sustainable Accounting Standards Board ("SASB") framework. It uses this framework to structure its research and engagement activity, allowing it to incorporate ESG factors into the investment process for its holdings at all stages. On a case-by-case basis, M&G would submit its own response, if its views are expressly different to those of its peers or if the matter is of material consequence to its business, clients and the communities it serves. It provides technical feedback on ESG topics to regulators. Feedback is provided by both its trade bodies and directly to relevant national competent authorities, such as the FCA, PRA and other rule makers in its key markets.

Engagement example (firm level): Cheplapharm

Over 2021, M&G engaged with pharmaceutical company, Cheplapharm, on its governance, board composition and fair pricing. M&G's aim was to encourage the company to introduce a supervisory board to ensure there was sufficient challenge to management in its decision-making processes. M&G also wanted to ensure that appropriate measures were in place to manage the risks surrounding the pricing of medicines.

M&G met with Cheplapharm to discuss its ESG strategy, to encourage improved practices in relation to governance, and to ensure it was comfortable with the fair and ethical practices in relation to pricing. M&G believed the engagement went positively with a commitment by the company to bolster its board and to look into publishing its pricing policy.

BlackRock - Aquila Consensus Index Fund

Prudential acts as the platform provider for the Plan and invests in a number of funds on behalf of the Trustee. The underlying fund manager of the Aquila Consensus Fund is BlackRock. BlackRock will be referred to throughout the voting and engagement information within this section.

Voting policy

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. BlackRock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

The table below shows the voting statistics for BlackRock Aquila Consensus Index Fund for the period to 31 March 2022:

Number of resolutions eligible to vote on over the period	59,192
% of resolutions voted on for which the fund was eligible	99.0%
Of the resolutions on which the fund voted, % that were voted against management	8.0%
Of the resolutions on which the fund voted, % that were abstained from	1.0%

Voting example: AGL

In September 2021, BlackRock voted against the election of Mr. Ashjayeen Sharif's self-nomination as a director of the Australian energy company, AGL Energy Ltd. ("AGL"). Mr Sharif is a student at the University of Melbourne and an active leader in the School Strike for Climate movement. While BlackRock believes that it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking, BlackRock supports the Board's view that Mr. Sharif's current skill set, and experience are not yet suited to add to the effectiveness of the Board.

Further, the Board has announced that it is undertaking succession planning and seeking to appoint an ESG specialist to AGL's current Board for 2022. BlackRock will continue to engage with the Board to discuss new director appointments further and determine if future proposed candidates offer the experience and skills that would enhance the Board's quality and effectiveness.

Following the vote, Mr Sharif was not elected as a director.

Engagement policy

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

Engagement example: Oxford Instruments

In September 2021, BlackRock engaged with science-focussed manufacturing and research company, Oxford Instruments, on the lack of diversity on its board ahead of the company's annual general meeting ("AGM"). The company had yet to reach the Hampton-Alexander target to have 33% representation of women and missed the target timeframe to reach this by 2020.

BlackRock deems diverse and experienced board directors to be critical to the success of a company and long-term value creation. Since the engagement, Oxford Instruments has appointed an additional female board member and stated that it intends to reach the target by its 2022 AGM. Oxford Instruments also expressed its intention to work with search firms who have signed the voluntary code of conduct for executive search firms to improve its recruitment of diverse executives and directors. BlackRock will continue monitor the progress of the investee company.

Summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that its policies have been implemented effectively in practice. The Trustee notes that all of its investment managers were able to disclose evidence of voting and or engagement activity, with the exception of M&G which was unable to provide the fund voting statistics for the period ending 31 March 2022 at the time of writing.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.