Quilter Cheviot Retirement Benefits Scheme

Implementation statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustees ("Trustees") of the Quilter Cheviot Retirement Benefits Scheme (the "Scheme") has been followed during the year to 31 December 2020. It has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Investment Objectives of the Scheme

The Trustees' objective is for all member benefits to be paid in full by a regulated insurance company to enable the Scheme to be wound up. They have therefore purchased bulk annuity policies with Aviva Life & Pensions UK Limited ("Aviva"). These insure all the liabilities with the exception of the six members whose pensions are paid from the other Aviva and Scottish Widows policies.

Additional payments or expenses will be met from cash balances and/or payments from the Employer.

Given the nature of the liabilities, the investment time horizon is potentially long-term although this could be significantly shorter if the Scheme is bought out in full at some point in the future.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change and also the processes followed by the Trustees in relation to voting rights and stewardship. The policies are set out in the Appendix to this Statement.

The Trustees last updated the SIP in September 2020.

Scheme's Investment Structure

The Trustees have secured buy-in policies with Aviva that pay to the Scheme an amount equal to the contractual payments specified under the policy. The Trustees have no ability to influence how Aviva invests the assets underlying the policies.

The intention is for these to be converted into a buy-out policy written in the names of individual members.

Engagement and Voting Activity over the period

The Scheme's assets are solely invested in annuity contracts, primarily with Aviva.

The Trustees are reliant on Aviva's policies on responsible investment and corporate governance. To the extent that it is applicable, they have delegated to Aviva consideration of ESG issues (including climate change), engagement and stewardship obligations (including the exercise of voting rights attached to the investments).

The Trustees did not review Aviva's policies on responsible investment and corporate governance during the year to 31 December 2020. As the Scheme does not control the underlying assets in which Aviva invests, the Trustees are unable to influence its engagement or voting policy.

Appendix – Trustees' Policies on ESG factors, Stewardship and Climate Change

ESG, Stewardship and Climate Change

The Trustees believe that environmental, social and corporate governance ("ESG") factors, including climate change, could have a material financial impact on risk and return outcomes over the Scheme's investment time horizon and that good stewardship can create and preserve value for companies and markets as a whole.

As the Scheme's assets are invested in bulk annuity contracts with Aviva, the Trustees are reliant on the insurer's policies on responsible investment and corporate governance and will review these from time to time as appropriate.

They have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to Aviva and believe they have minimal direct exposure to risks arising from long-term sustainability issues, including climate change.

Non-Financial Matters

Members' views on "non-financial matters" (where these include ethical views such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments.

Insurer arrangements

Alignment of Insurer Objectives and Incentivisation

Aviva has been appointed with the aim of insuring the Scheme's liabilities to reduce funding volatility. The Trustees took expert advice on the appointment including an assessment of Aviva's capabilities, knowledge and experience. The annuity policies are managed in line with the Scheme's specific liabilities and investment requirements. They are therefore aligned with the Trustees' objectives and the terms incentivise Aviva to meet these. The Trustees recognise that they have no ability to determine or influence the assets in which Aviva invests. They also recognise that annuity investments are illiquid and cannot be traded.

Performance Assessment and Fees

Aviva does not receive on-going remuneration from the Scheme. The premium paid for the annuity policies covers the insurer's implicit fees and the Trustees' choice of insurer takes the size of the premium into account. The Trustees are satisfied that this is the most appropriate basis for remuneration.

Portfolio Turnover Costs

The insurer's obligation to make payments to the Scheme is not impacted by on-going turnover costs.

Asset Allocation

As at 31 December 2020, the Scheme's assets comprised annuity policies and cash.

Custodial arrangements

As the Scheme's assets comprise annuity policies and cash, no direct custodian appointment is required.

Further information

Approved by the Trustees on July 28, 2021