



Statement of Investment Principles and Implementation Statement

How to prepare for the new requirements

July 2020

Reminder of requirements

This document:

- Provides a reminder of the requirements for 2020 and beyond,
- Helps trustees to set the groundwork for the requirements

Focus on changes required by 1 October 2020 and beyond

SIP requirements (by 1 October 2020)

SIPs must be updated to address stewardship in more detail.

Trustees must explain the incentives they use to encourage their investment managers to align their investment strategy with the trustees' policies and to ensure that decisions are based on long-term performance.

Implementation Statements (from 1 October 2020)

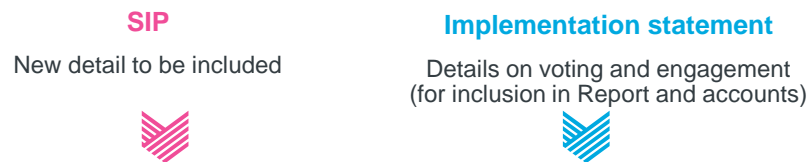
An annual disclosure document will be required, covering certain engagement and voting practices.

Disclosure requirements

On a publicly-available website: The updated SIP (before 1 October 2020) and the Implementation Statement (when finalised)

Within the first annual report and accounts produced after 1 October 2020: The Implementation Statements

Timeline



1/10/2020

1/10/2021



SIP

Implementation statement

Website availability

Website availability

SIP requirements

By 1 October 2020 trustees will be required to include the following detail within their SIPs:

- Additional information on their policy in relation to:
 - The exercise of rights (including voting rights) attaching to investments.
 - Undertaking engagement activities in respect of the investments (e.g. the approach to monitoring investment managers over how they take into account performance, strategy, capital structure, management of actual or potential conflicts of interest and ESG issues in relation to issuers of debt or equity).
- Their policy relating to arrangements with asset managers, including how the following matters are set out:
 - Incentives for asset managers to align their investment strategy and decisions with the trustees' investment policies.
 - Incentives for asset managers to make decisions based on medium to long-term financial and non-financial performance assessments of an issuer of debt or equity and to engage with the issuer in order to improve performance over the medium to long-term.
 - How the method and time horizon of the evaluation of an asset manager's performance and the remuneration for their services are in line with the trustees' investment policies.
 - The monitoring of "portfolio turnover costs" incurred by the asset manager and how the trustees define and monitor targeted portfolio or turnover range.
 - The duration of the arrangement with the asset manager.

By 1 October 2020 DB trustees must also:

Publish their SIP on a website which is publicly available and free to access.

Implementation Statement requirements

Trustees must produce an Implementation Statement for inclusion in annual reports and accounts published after 1 October 2020. The Statement must:

- Explain how, and the extent to which, the trustees have followed their policy on the exercise of rights (including voting rights) and engagement activities during the scheme year.
- Provide a description of the voting behaviour by or on behalf of trustees, including the most significant votes cast by trustees or on their behalf during the year and state any use of a proxy voter during that year.

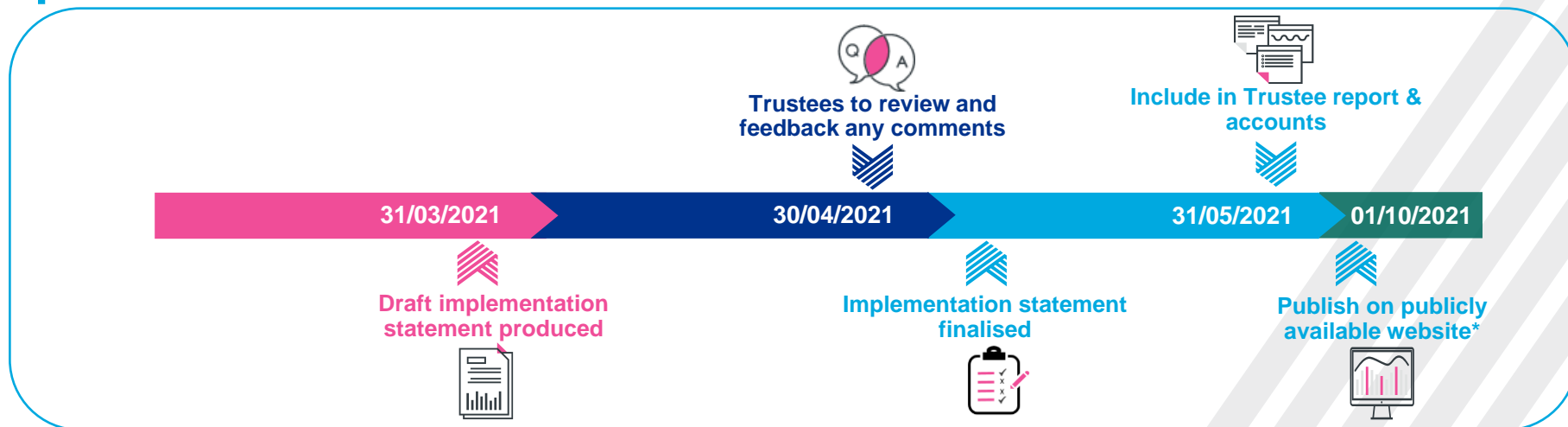
The Statement must also be published on a publicly available website.

SIPs / Implementation statements – possible timeline

SIPs



Implementation Statement



Initial considerations

Later this year, XPS Investment will provide sample wording to help develop the appropriate policies and initial drafts of the Implementation Statement and new SIP requirements. For now, trustees should start to consider the following:



Have you adhered to the SIP wording regarding voting/engagement policy?



If you have deviated from the policy during the year, what action will you take?



Has the Trustees' policy influenced any decisions during the year e.g. the appointment of a new investment manager?



Have you carried out specific, in-depth analysis of your investment managers' ESG credentials? If not, might it now be appropriate?



Has there been any use of proxy voting services?



Might you use the Implementation Statement to disclose additional information e.g. wider Trustee initiatives/evolving policies?



When will you produce your Trustee Report and Accounts?



How will you make the Statements publicly available?



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