

Wincanton plc Pension Scheme – Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 March 2021. This statement 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 guidance published by the Pensions Regulator. The table later in the document sets out the how, and the extent to which, the policies in the SIP have been followed.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

DB Section:

The Trustee's primary objective is to invest the Scheme's assets in the best interests of the members and beneficiaries, and specifically to meet members' benefit obligations in full with as high a level of certainty as possible.

The Trustee has also agreed a long term objective for the Scheme to have sufficient assets to be able to "buy-in" all liabilities in respect of retired members through an insured annuity policy and so that the majority of remaining investment risks can be reduced, with the Scheme being able to run on until further buy-ins are possible with a low probability of requiring additional contributions from the principal employer.

DC Section:

To make available a range of investment funds to PBP members that should enable members to tailor their investment choices to meet their own individual needs;

To offer funds which facilitate diversification and long term capital growth;

To offer funds which have competitive total expense ratios relative to similar funds which members might access directly;

To offer funds that enable members to reduce volatility in the value of their investments as they approach retirement;

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To restrict the number of funds to avoid unnecessarily complicating members' investment decisions;

To provide a suitable default Lifestyle investment option for those members who do not wish to make their own investment decisions, particularly taking into account each member's remaining period of service until normal retirement age and the form in which the benefits are anticipated to be taken;

To provide alternative Lifestyle option(s) should the Trustee determine that there is sufficient demand from members for such alternative(s) or based on demographic / attitudes of the members.

Review of the SIP

During the year the Trustee reviewed the Scheme's SIP. A revised SIP was agreed and minuted at the ISC meetings in September 2020 (DB Section) and June 2020 (DC Section) in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies in the SIP.
- How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset manager and how it defines and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset managers.

Assessment of how the policies in the SIP have been followed for the year to 31 March 2021

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP, relating to the Scheme as a whole and

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the default investment arrangement within the DC Section. The SIP is attached as an Appendix and sets out the policies referenced below.

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1	Securing compliance with the legal requirements about choosing investments	<i>Trustee obtains advice from their investment adviser, who can provide expert advice enabling the Trustee to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustee's opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</i>	<p>DB Section:</p> <p>There were no new investments made over the year.</p> <p>DC Section:</p> <p>There were no changes to the fund range over the year. Following the Scheme year end, an investment strategy review was carried out in June 2021.</p>
2	Kinds of investments to be held	<p>DB Section:</p> <p><i>The Trustee has set a range of asset classes it deems suitable for investment in order to meet the long-term objectives of the Scheme. By dynamically allocating assets to a range of asset classes chosen from those outlined above, coupled with the use of active management where appropriate, as well as a buy and maintain approach to corporate bond investments, it is intended that the target return is generated in an efficient manner, while also reducing overall levels of risk.</i></p> <p>DC Section:</p>	<p>DB Section: For the DB section of the Scheme, the Trustee reviewed its investment strategy over the year, taking into consideration the following: the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk (including financially material risks such as Environmental, Social and Governance risks, including climate change), the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. As a result of the review, the Trustee chose to de-risk the Scheme's investment strategy over the year, in line with the long-term objective of reducing investment risk over time.</p> <p>DC Section: The default investment option was subject to its formal triennial review following the Scheme year end. Although this review was not undertaken during this year, it represents an important exercise for the Trustee that covers the majority of the investment policies the Trustee has in place. The investments (fund type, management style and asset allocations) used in the default investment strategy were reviewed as part of this exercise.</p>

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		<p><i>The Trustee has made available a range of individual self-select fund options for investment in addition to the default investment option and other lifestyle arrangements.</i></p> <p><i>A range of asset classes are included within the default investment option, including: developed market equities, emerging market equities, money market investments, diversified growth funds and pre-retirement funds.</i></p>	<p>Some changes have been recommended from this review, with a change of equity fund within the growth phase and consideration of a shorter glide-path for the default investment option.</p> <p>No additional lifestyle strategies were proposed and a recommendation was made to consider the addition of an ESG focused fund and a Shariah Fund to the self select fund range.</p>
3	The balance between different kinds of investments	<p>DB Section: <i>The Trustee objective is that the spread of asset types and the investment managers' policies on investing in individual securities within each asset type will provide adequate diversification of investments</i></p> <p>DC Section: <i>Members can combine the investment funds in any proportion in order to achieve the desired level of return and risk in</i></p>	<p>DB Section: The strategic asset allocation is reviewed approximately annually in order to assess whether the Scheme is on track to meet its longer term objectives. De-risking trades were placed over the year ending 31 March 2021, disinvesting from 'growth' assets such as equities and investing in fixed income assets such as gilts.</p> <p>DC Section: The strategic asset allocation of the default investment option is reviewed on a triennial basis. The date of the last review was June 2021 – noting this is after the Scheme year end. This confirmed that the strategic asset allocation was appropriate to meet the stated aims and objectives of the default. A review of self-select options for also formed part of the triennial investment review with a</p>

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		<p><i>line with their own attitude towards, and tolerance of risk.</i></p> <p><i>Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option.</i></p>	<p>recommendation to add two funds with different characteristics to those already available to members.</p> <p>The Trustee receives a quarterly investment performance report which monitors the risk and return of the investment options within the DC Section of the Scheme and how this translates into member outcomes.</p>
4	Risks, including the ways in which risks are to be measured and managed	<p>DB & DC Section:</p> <p><i>The Trustee has considered a range of risks (both investment and operational) in relation to the DB Section and, within the DC Section, the self-select funds, alternative lifestyles and the default investment option.</i></p>	<p>Section 3 (DB Section) and Section 4 (DC Section) of the Statement of Investment Principles set out the risks that the Trustee explicitly considers.</p> <p>The Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.</p>
5	Expected return on investments	<p>DB Section: <i>The Trustee has decided that the Scheme's investment strategy should target a return of 0.8% p.a. above a theoretical portfolio of liability-matching gilts (net of fees) until March 2027. The target return is then expected to step down to Gilts + 0.4% p.a. from April 2027 onwards.</i></p>	<p>Investment performance reporting is reviewed by the Trustee on a quarterly basis – this includes an assessment of the Scheme's progress against its long-term funding target (DB Section) and the risk and return characteristics of the default and additional investment fund choices (DC Section).</p> <p>The investment performance report also includes how each investment manager is delivering against their specific mandates, including more detailed metrics for certain asset classes where appropriate. For the DC Section, example member experience for four different member profiles is considered from a risk/return perspective to assess any trade-offs.</p>

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		<p>DB & DC Section: The funds available are expected to provide an investment return commensurate with the level of risk being taken.</p> <p>DC Section: In designing the default, the Trustee has explicitly considered the trade-off between risk and expected returns. The expectation is that the default will generate returns in excess of inflation during the growth phase and de-risk towards the retirement date to match the likely benefits post-retirement.</p>	
6	Realisation of investments	<p>DB Section: The Trustee has appointed investment managers that it believes to have particular strengths in the management of the various asset classes. The investment managers have full discretion over the day-to-day management of the assets, within predefined boundaries.</p> <p>DC Section: The Trustee's administrators will realise assets following member requests on</p>	<p>DB Section: Where cashflow is required to meet benefit payments, it is disinvested from the most underweight fund(s) within the Mercer Qualifying Investor Fund ("QIF"). Cashflow is also received from other asset classes, such as the investments in private markets.</p> <p>DC Section: The Trustee receives an administration report on a quarterly basis to confirm that core financial transactions are processed within SLAs and regulatory timelines. All funds are daily dealt pooled investment vehicles, accessed by an insurance contract.</p> <p>For DB, the policy to disinvest from equities has been followed over the year in order to meet benefit payments.</p>

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		<p><i>retirement or earlier where required.</i></p> <p><i>The Trustee considers the liquidity of the investment in the context of the likely needs of members.</i></p>	
7	<p>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>	<p>DB and DC Sections: <i>The Trustee considers 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>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>The investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific ESG) from the investment advisers. All of the managers remained generally highly rated during the Scheme year.</p> <p>The Scheme’s SIP includes the Trustee’s policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by their investment adviser on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. The Trustee keeps its policies under regular review and also maintains a standalone beliefs statement.</p> <p>Where managers are not be highly rated from an ESG perspective the Trustee continues to monitor, including asset classes where an ESG rating is difficult to obtain (such as Liability Driven Investment).</p> <p>When appointing a new manager the Trustee considers the ESG rating of the manager. This has been factored into the strategy review for the DC Section in June 2018 and June 2021.</p>

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8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<i>Non-financial matters, such as member views, are not taken into consideration.</i>	Not applicable.
9	The exercise of the rights (including voting rights) attaching to the investments	<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>The Trustee has delegated its voting rights to the investment managers.</p> <p>Investment managers are expected to provide voting summary reporting on a regular basis, at least annually, where possible (noting that the DB Section is predominantly invested in fixed income assets, where voting is not applicable). The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy.</p> <p>The Trustee does not use the direct services of a proxy voter.</p> <p>DB Section: Information can be found in the appendix in respect of voting and action taken in significant votes.</p> <p>DC Section: The Trustee has requested the voting information from the platform provider, Aegon, with whom there is a direct legal relation. This information was not available at the time of writing and will be updated once received.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under	<i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached</i>	<p>Investment managers are expected to provide reporting on a regular basis, at least annually including stewardship monitoring results. These are reviewed by the Trustee.</p> <p>DB Section: As the Scheme invests primarily in pooled funds, the Trustee requires their investment managers to engage with the investee companies on their behalf.</p>

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	<p>which, trustee would monitor and engage with relevant persons about relevant matters)</p>	<p><i>to the investments in line with their own corporate governance policies and current best practice.</i></p> <p><i>The Trustee will also engage with the underlying managers as appropriate.</i></p>	<p>The DB Section of the Scheme also sold its remaining equity exposure over the year in question and is cognisant that there are much more limited opportunities for engagement within its fixed income mandates, particularly Liability Driven Investment. The Trustee will continue to evaluate this position and notes that this area is likely to evolve in the future. The Trustee has also previously engaged with the buy and maintain corporate bond managers, with subsequent enhancements to the reporting reviewed by the Trustee.</p> <p>DC Section: The Trustee has considered reporting from BlackRock on their voting behaviour noting that, while some issues with transparency remain, BlackRock have taken on board investor comments and have taken actions to address this.</p> <p>BlackRock are also demonstrating engagement across a wider range of ESG issues than previously and the Trustee has been monitoring how this has fed through to the ESG ratings for the funds.</p>
11	<p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustee's policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]</p>	<p><i>The Trustee's policy in relation to investments to be held is set out in the SIP.</i></p> <p><i>Managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.</i></p> <p><i>Where the Trustee invests in pooled investment vehicles it accepts that it has no ability to specify the risk profile and return targets of the</i></p>	<p>In the year to 31 March 2021:</p> <p>DB Section:</p> <ul style="list-style-type: none"> • The Trustee sold its remaining 'growth' assets, investing the proceeds across its fixed income assets. This is in line with the Trustee's long-term investment objectives. • No managers were terminated due to concerns over performance and all decisions were taken due to long-term strategy considerations. <p>DC Section:</p>

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		<i>manager, but appropriate mandates can be selected to align with the overall investment strategy. Where the mandate is segregated, the Trustee can, and does, set specific targets and constraints (DB Section only).</i>	<ul style="list-style-type: none"> Following the Scheme year end, the Trustee carried out a detailed investment strategy review in June 2021. This review and its outcome has been referenced elsewhere in this document.
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	<i>The Trustee meets with its managers and challenges decisions made as appropriate. Managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.</i>	<p>DB Section: The Trustee chose not to formally meet with any of its managers over the year. It undertook detailed training on the Liability Driven Investment element of the investment strategy, drawing on an investment specialist to give itself comfort that the manager in question remained fit for purpose.</p> <p>The Trustee also reviewed a detailed annual report and retained confidence in all managers' ability to deliver the required mandate. Where managers were removed, it was not due to concerns in relation to performance, but was a strategic decision.</p> <p>The Trustee will continue to consider all appointments from an investment, strategic and ESG perspective.</p> <p>DC Section:</p> <p>No meetings with managers were held during the year as performance was in line with expectations for the fund options.</p>
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset	<i>The Trustee recognise the various time horizons across the DB and DC Sections, as noted in the SIP. As such managers are assumed to be held for a suitable length of time.</i>	<p>DB Section:</p> <p>The Trustee considered performance over the quarter, one year and three year periods, alongside other relevant metrics depending on the mandate. For</p>

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	management services are in line with the trustee's policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]	<i>Managers' performance net of fees is therefore reviewed over both short and long time horizons. Remuneration is agreed upon prior to manager appointment and is reviewed on a regular basis.</i>	<p>example, within the buy and maintain corporate bond mandates, metrics such as defaults and turnover are explicitly considered within the quarterly reporting.</p> <p>DC Section:</p> <p>In addition to the monitoring noted on the DB Section, the Trustee also considers member experience in terms of performance. Sample member performance from a risk and return perspective is considered, such as a member who was 25 years old as at 31 March 2011 and invested in the Cash at Retirement Lifestyle Option. The Pre-Retirement Fund is also considered against estimated annuity pricing.</p>
14	How the trustee monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	The Trustee's policy in relation to the monitoring of portfolio turnover costs is set out in the SIP.	<p>DB Section:</p> <p>In the year to 31 March 2021, the Trustee received the MIFID Costs and Charges statement from their investment consultant Mercer, confirming portfolio turnover costs. The Trustee engaged with the buy and maintain corporate bond managers to include portfolio turnover and turnover costs in their presentations and reports where applicable. Portfolio turnover over the period was deemed in line with expectations and as such the Trustee did not need to engage further with the managers on this point over the period in question.</p> <p>The Trustee did not explicitly monitor portfolio turnover costs across the whole portfolio in its entirety.</p> <p>DC Section:</p> <p>Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), are disclosed in the annual Chair's Statement.</p>

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			<p>The Trustee is required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs:</p> <ul style="list-style-type: none"> • No industry-wide benchmarks for transaction costs exist; • The methodology leads to some curious results, most notably “negative” transaction costs; and • Explicit elements of the overall transaction costs are already taken into account when investment returns are reporting, so any assessment must also be mindful of the return side of the costs. <p>As noted in the most recent Chair’s Statement, there is little flexibility for the Trustee to impact transaction costs as the DC Section invests in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the DC Section invests in, there is not as yet any “industry standard” or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative. The Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value.</p>
15	The duration of the arrangement with the asset manager	<p>DB Section: <i>The Scheme invests in a number of closed ended funds, such as the private markets funds. At the time of appointment the life of the fund is indicated, however this could be extended in line with the relevant documentation.</i></p> <p>DB and DC Section: <i>For the majority of funds, there is no set duration for the manager</i></p>	<p>DB Section:</p> <p>The Trustee’s last commitment to a private markets fund was in 2016 and the fund is expected to have fully paid out in the latter part of the 2020s. The Trustee at present does not have plans to commit to a further closed ended fund, although this position does remain under review.</p> <p>DC Section:</p> <p>The performance for all fund is reviewed quarterly and no changes were made during the Scheme year. The performance of the BlackRock Aquila Life Market</p>

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		<p><i>appointment. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustee is dissatisfied with the manager's ongoing ability to deliver the mandate promised or because of a change of investment strategy.</i></p>	<p>Advantage Fund has been challenged for periods where it has underperformed its target during the year but the Trustee has maintained the fund, for the specific role that it plays.</p>
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Appendix – DB Section voting

This appendix relates to the full Scheme year in question. The Scheme's equity holdings were terminated on 7 September 2020 and thus not all the votes occurred when the Scheme was invested.

Voting Activity Summary 1 April 2020 to 31 March 2021

Fund	Total Proposals	Voted 'For'	Voted 'Against'	Abstained from voting	Unvoted	Other	For Management	Against Management	Use of Proxy Advisor
Mercer Global Small Cap Equity	8,990	91%	6%	1%	1%	1%	92%	8%	Yes*
Mercer Passive Emerging Market Equity	49,136	84%	12%	2%	1%	0%	87%	13%	Yes

**Proxy advisor used by at least one underlying manager of the fund.*

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Summary of Significant Votes 1 April 2020 to 31 March 2021

Fund	Shareholder Proposal (“SHP”)	Issuer	Vote Decision
Mercer Global Small Cap Equity	Shareholder Proposal Regarding Deforestation and GHG Emissions Report	Bloomin Brands Inc	For
	Shareholder Proposal Regarding Promotion of Renewable Energy and LNG with Low Carbon Emissions	Hokkaido Electric Power Co. Inc	Against
	Shareholder Proposal Regarding Environmentally Friendly Technology	Hokkaido Electric Power Co. Inc	Against
	Shareholder Proposal Regarding Management Diversity Report	IPG Photonics Corp	For
	Shareholder Proposal Regarding Report on Risk of Discrimination in Vehicle Lending	Santander Consumer USA Holdings Inc	For
	Shareholder Proposal Regarding Industry Association COVID-19 Advocacy Activities	BHP Group Plc	Against
Mercer Passive Emerging Markets Equity **	Management Proposal Regarding Election of Directors	Bank VTB North-West Jsc	Against
	Management Proposal Regarding H-Share Offering and Listing in Hong Kong and Conversion Into A Company Limited	Hangzhou Tigermed Consulting Co Ltd	For
	Management Proposal Regarding Amendments to Procedural Rules for Shareholder	Hangzhou Tigermed Consulting Co Ltd	Abstain