

# Annual Implementation Statement (the “Statement”) – Year Ending 31 December 2021

## The Professional Golfers’ Association Scheme 2001 Retirement and Death Benefits Scheme – F48177

### Introduction

This Statement, written for the benefit of the members of The Professional Golfers’ Association Scheme 2001 Retirement and Death Benefits Scheme (the “Scheme”) sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed over the 12 months to 31 December 2021.

The SIP is a document drafted by the Trustees in order to help govern the Scheme’s investment strategy. It details a range of investment-related policies, a summary of which, for the DC Section, is included in the table below, alongside the relevant actions taken by the Trustees in connection with each of these policies.

As required by the legislation, the Trustees have consulted a suitably qualified person and has obtained written advice from its investment consultant, Mercer Limited (“Mercer”). The Trustees believes the investment consultant meets the requirement of Section 35 (5) of the Pensions Act 1995. The Trustees, in preparing this Statement, have also consulted the sponsoring Company.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Scheme Year, which was the SIP dated July 2021.

A copy of the SIP is available at: <https://www.pga.info/media/4421/sip-f48177-signed-july-2021.pdf>

### Investment Objectives of the Scheme

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The Trustees believe 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:

- To provide a default investment option for members until they make their own investment decisions.
- To make available a range of investment funds that is expected to enable members to select an investment strategy that meets their own individual needs and preferences.
- Offer access to lifestyle strategies, which facilitate diversification and are expected to achieve long-term capital growth.
- Offer funds and lifestyle strategies that enable members to reduce investment risk in the run-up to retirement.
- Offer funds which mitigate the impact of sudden and sustained reductions in capital values or rises in the cost of providing benefits at retirement (cash, annuity purchase or drawdown).

### **Review of the SIP**

During the year, the Trustees reviewed the Scheme's SIP. The SIP was reviewed in December 2021 and the objectives were considered as part of the triennial investment strategy review described below. No changes were made to the objectives.

### **Investment Strategy Review**

The default investment option is reviewed at least triennially and the last review was undertaken in December 2021. This review considered the following:

- Analysis of member data to support recommendations;
- Member behaviour and market trends;
- Whether targeting annuity remains appropriate for the default;
- Whether the self-select fund range is still appropriate.

The following recommendations were made and agreed by Trustees:

- Retain the objective of the default investment option as target cash and the 2 alternative lifestyle strategies;
- Continue to offer the My Future Cash Lump Sum strategy as the default, where decisions on asset allocation are delegated to Aviva.
- Consider adding an Islamic/Shariah Equity option to the fund range going forward.

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### **Assessment of how the policies in the SIP have been followed for the year to 31 December 2021**

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 as a whole and the default investment arrangement. The SIP is attached as Appendix A and sets out the policies referenced below.

**In summary, it is the Trustees' view that the policies in the SIP have been followed during the Scheme Year.**

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|   | Requirement  | Policy   | In the year to 31 December 2021   |
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| 1 | Securing compliance with the legal requirements about choosing investments | <p><b>(1) Introduction</b></p> <p><i>Before preparing this Statement of Investment Principles, the Trustees have consulted with the Employer, (The Professional Golfers' Association), and obtained and considered written professional advice from Mercer Limited, the Scheme's investment consultants, regarding the investment arrangements to ensure compliance with the legal requirements about choosing investments (as per section 36 of the Pensions Act 1995).</i></p> | <p>Following the triennial investment strategy review in December 2021, the default investment option was deemed to remain suitable and no changes were made to the Scheme.</p> <p>The recommendations from the review were:</p> <ul style="list-style-type: none"> <li>• Retain the objective of the default investment option as target cash and the 2 alternative lifestyle strategies;</li> <li>• Continue to offer the My Future Cash Lump Sum strategy as the default</li> <li>• Continue with the current Growth Phase where decisions on asset allocation are delegated to Aviva.</li> <li>• Consider including an Islamic/Shariah Equity option to the fund range going forward. A proposal was made to add an Islamic/Shariah fund to the self-select range, to complement the range of choices available.</li> </ul> <p>During the year, the Trustees reviewed the Scheme's SIP and this was signed on July 2021. The objectives were considered as part of the triennial investment strategy review described previously. No changes were made to the objectives. The Trustees have consulted with the employer, and obtained and considered written professional advice from Mercer Limited, the Scheme's investment consultants, regarding the investment arrangements to ensure compliance with the legal requirements about choosing investments.</p> |
| 2 | Kinds of investments to be held  | <p><b>(4.2) Default Investment Option</b></p> <p><i>The default option aims to generate investment returns, in a risk-controlled manner, and has been designed for members who are expected to take their</i></p>  | <p>The default investment option was subject to its formal triennial review in December 2021.</p> <p>The scope for this review covered the analysis of member data to support recommendations; member behaviour and market trends; whether targeting cash remains appropriate for the default; impact on consolidation of the self-select range.</p>  |

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|   |   | <p><i>savings as a tax free cash lump sum at retirement.</i></p> <p><i>Lifestyle strategies are designed to meet the conflicting objectives of maximising the value of the member’s assets at retirement and protecting the member’s accumulated assets in the years approaching retirement.</i></p>  | <p>Details of the considerations are detailed in the investment strategy review section above.</p> <p>No changes to the type of investments used in the default have been implemented in the year.</p> <p>As part of the triennial review, the Trustees also undertook a review of the alternative lifestyles available to members along with a review of the self-select fund range and no funds were added following this review.</p> |
| 3 | The balance between different kinds of investments                      | <p><b>(4.1) Range of Funds</b></p> <p><i>The Trustees believe, having taken expert advice, that it is appropriate to offer a range of investment funds and lifestyle strategies to allow members to tailor their own investment strategy.</i></p> <p><i>The Trustees have considered both actively and passively managed fund options in the design of the investment strategy.</i></p> <p><i>The Trustees also recognise that members may not believe themselves qualified to make investment decisions. As such, the Trustees make available a default investment option.</i></p> | <p>No changes were made to the range of funds that members could invest in during the year. Additional options were considered within the strategy review (see item above).</p>   |
| 4 | Risks, including the ways in which risks are to be measured and managed | <p><b>(3.2) Policies with Regards to Risk and Return</b></p> <p><i>In determining the investment arrangements, risk is not considered in isolation, but in conjunction with expected investment returns and</i></p>   | <p>As detailed on Section 3.2 of the SIP, the Trustees have considered return expectations and risk from a number of perspectives. The list provided in this section is not exhaustive but covers the main risks that the Trustees considers and how these are managed and measured.</p>  |

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|   |   | <i>outcomes for members. The Trustees have considered return expectations and risk from a number of perspectives.</i>   | The Trustees considered these risks when setting the investment strategy and through periodic monitoring of the investment funds throughout the year.  |
| 5 | Expected return on investments  | <p><b>(4.2) Default Investment Option</b></p> <p><i>The default investment option manages investment risks through a diversified strategic asset allocation consisting of mainstream asset classes. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In selecting the default investment option, the Trustees have explicitly considered the trade-off between risk and expected returns.</i></p> | <p>The objectives of the default option, and the ways in which the Trustees seek to achieve these objectives are detailed in Section 4.2 of the SIP.</p> <p>The Trustees have reviewed the asset allocation under My Future during the year, using the Aviva factsheets which include risk and return metrics and the analysis within the triennial review.</p> <p>This confirmed that the Trustees considered the trade-offs between risk and return</p>  |
| 6 | Realisation of investments  | <p><b>(8) Realisation of assets</b></p> <p><i>The Investment Managers have responsibility for the realisation and trading of the underlying assets. The day-to-day activities which the Investment Managers carry out for the Trustees are governed by the arrangements between the Investment Managers and the Provider.</i></p>   | <p>Members' investments and the funds available are traded and priced on a daily basis. The platform provider for the investment fund options is Aviva. The Trustees have taken steps to satisfy themselves that the Provider and underlying fund managers have the appropriate knowledge and experience for managing the Scheme's investments and they are carrying out their work competently.</p> <p>As the assets of the Scheme are invested in pooled fund vehicles underlying the funds offered by Aviva, the investment restrictions applying to these funds are controlled by the underlying managers of the funds – which is Aviva for the default.</p> |
| 7 | Financially material considerations over the appropriate time horizon of the investments, including how | <p><b>(6) Socially Responsible Investment</b></p> <p><i>The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and</i></p>  | The Trustees reviewed the investment options within the Value for Members assessment on an annual basis and as part of the investment strategy review during the year – this includes ratings on funds (both general and specific ESG) from the investment advisers.   |

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|   | those considerations are taken into account in the selection, retention and realisation of investments                                  | <p><i>that good stewardship can create and preserve value for companies and markets as a whole – which in turn may have a positive impact on member outcomes.</i></p> <p><i>As the assets of the Scheme are invested in pooled funds, the Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments.</i></p> | The Trustees acknowledged the changes made by Aviva within the My Future Growth Fund as part of the default and the greater integration of ESG focused investments. This will be an evolving piece that the Trustees will continue to monitor. Voting activity and stewardship are reviewed annually as part of the preparation of this statement. Details of the key votes are included in this statement. |
| 8 | The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments | <i>The Trustees do not explicitly take the views of individual members and beneficiaries of the Scheme into account in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (wording not specifically in the SIP but taken into account when making decisions around investments).</i>  | Member views are not explicitly taken into account in the selection, retention and realisation of investments. No action was taken in this respect during the year.   |
| 9 | The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect      | <p><b>(7) Corporate Governance, Voting and Activism</b></p> <p><i>The Trustees believe that good corporate governance is important and they expect their investment managers to have developed a policy which promotes the concept of good corporate governance</i></p>   | <p>The Trustees have given the appointed investment managers, underlying the Aviva funds, full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments.</p> <p>Investment managers are expected to provide voting summary reporting on a regular basis, at least annually and have done so.</p>     |

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|    | <p>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> | <p><i>and, in particular, a policy of exercising voting rights.</i></p> <p><i>As the assets of the Scheme are invested in wholly insured arrangement with investments in pooled vehicles the Trustees accept that the assets are subject to the investment fund managers' own policies on corporate governance, voting and activism.</i></p> <p><i>The Trustees are able to encourage them to exercise those rights on behalf of members' interests when they believe there could be a potential financial impact on the funds, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.</i></p> | <p>The following funds contain an allocation to equities:</p> <ul style="list-style-type: none"> <li>- Equity components of My Future – for this scheme this is relevant for My Future Growth and My Future Drawdown as an alternative retirement option: <ul style="list-style-type: none"> <li>• AI UK Equity Index</li> <li>• AI European Equity Index</li> <li>• AI US Equity Index</li> <li>• AI Pacific Rim Equity Index</li> <li>• AI Japanese Equity Index</li> </ul> </li> </ul> <p>The voting records of the investment managers are summarised in Appendix B.</p> <p>No direct action was needed or taken in relation to challenging managers. The Trustees are reliant on Aviva for raising any areas of concern on their behalf.</p> |
| 10 | <p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees policies</p>                    | <p><b><i>(9.1) Aligning Manager Appointments with Investment Strategy</i></b></p> <p><i>Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. These characteristics will differ for each asset class so appointing a single manager may not be the most appropriate approach.</i></p>   | <p>As the Trustees invest in pooled investment funds, they accept that they cannot specify the risk profile and return targets for these funds.</p> <p>Manager ratings were included in the investment strategy review and the value for members' assessment review. No changes were made to the fund options following the review.</p> <p>No new underlying investment managers were appointed during the year.</p>  |

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|    |   | <p><i>The Trustees will seek guidance from the Investment Consultant, where appropriate, for their forward looking assessment of a manager's ability to perform over a full market cycle. The Investment Consultant's manager research ratings assist with due diligence and are used in decisions around selection, and retention of manager appointments.</i></p> <p><i>The Trustees will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.</i></p> |   |
| 11 | How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies | <p><b>(9.2) Evaluating Investment Manager Performance</b></p> <p><i>The Trustees receive investment manager performance at least annually using information provided by Aviva. The Trustees review the absolute performance and relative performance against a suitable index or benchmark.</i></p>  | Factsheets were received from Aviva during the year, which were reviewed by the Trustees. In addition, performance was reviewed within the annual Value for Members assessment. |
| 12 | How the trustees monitor portfolio turnover costs incurred by the   | <p><b>(9.3) Portfolio Turnover Costs and Manager Turnover</b></p>  | Transaction costs are disclosed in the annual Chair's Statement and Value for Members' assessment. Data has been obtained from Aviva.   |

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|           | <p>asset manager, and how they define and monitor targeted portfolio turnover or turnover range</p> | <p><i>The Trustees monitor portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of its annual value for members’ assessment.</i></p> <p><i>The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis.</i></p>  | <p>While the transaction costs provided appear to be reflective of costs expected of the various asset classes and markets that the Scheme invests in, there is not as yet any “industry standard” or universe to compare these to.</p>   |
| <p>13</p> | <p><i>The duration of the arrangement with the asset manager</i></p>                                | <p><b>(9.3)</b> <i>The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis and so will therefore retain an investment manager unless:</i></p> <p><i>1) There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;</i></p> <p><i>2) The basis on which the manager was appointed changes materially (e.g. manager fees or investment process);</i></p> <p><i>3) The manager appointed has been reviewed and a decision is taken to terminate the mandate.</i></p> | <p>The default investment option was subject to its formal triennial review in December 2021.</p> <p>No changes to the type of investments used in the default have been implemented in the year.</p> <p>As part of the triennial review, the Trustees also undertook a review of the alternative lifestyles available to members along with a review of the self-select fund range and no funds were added following this review.</p> <p>There were no changes in investment managers during the year.</p> |

## **Appendix A – Statement of Investment Principles**

## **Appendix B – Voting Activity during the Scheme year**

The Trustees have delegated their voting rights to the investment manager. The SIP states *“The Trustees have given appointed investment managers, underlying the Aviva funds, full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments. The Trustees are able to encourage them to exercise those rights on behalf of members’ interests when they believe there could be a potential financial impact on the funds, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code”*.

### **Overview of voting activity, on behalf of the Trustees, for the funds containing equity.**

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies of the Scheme. Voting activity has been requested from all managers but at the time of writing this report, not all managers have responded. We will continue to chase the managers to receive this information. Votes “**for** / **against** management” assess how active managers are in voting for and against management. **Purple** represents abstention

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Aviva has provided the voting disclosures relating to the funds containing equity. The data relates to the period 1 January to 31 December 2021.





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### Sample of significant votes

Managers have provided examples of significant votes across the funds previously noted as containing equity. It is not possible to disclose all the information received in this statement. Therefore, examples of voting activity to include in this statement were included focusing on areas including climate change/carbon emissions, separation of the role of CEO/Board Chairman and board diversity. The final outcome column below represents the result of the Resolution after all the votings: Passed (✓) or Not-Passed (✗).

| Fund                             | Company                   | Date       | How the manager voted | Summary of the Resolution  | Rationale for the Manager vote  | Final outcome |
|----------------------------------|---------------------------|------------|-----------------------|--|---|---------------|
| Stewardship International        | Microsoft Corporation     | 30/11/2021 | For                   | Report on Effectiveness of Workplace Sexual Harassment Policies  | It is important to support this resolution as the company faces potential controversies related to workplace sexual harassment and gender discrimination. This is a risk area for the sector and the company that is key for talent attraction and retention.   | ✓             |
| Stewardship International        | Union Pacific Corporation | 13/05/2021 | For                   | Report on Equal Employment Opportunity (EEO)   | While the company does have commitments in this area on their website and discloses some data, this additional diversity-related disclosure would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks.   | ✓             |
| AI Japanese Equity Index Tracker | Sumitomo Corporation      | 18/06/2021 | For                   | Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement                                   | Supported the shareholder proposal because the changes to the company's Articles would place market discipline over management for the continued improvement of climate-related disclosure practices. Shareholders would be better able to evaluate the company's risk profile because of additional information on the company's plans regarding aligning its behaviour with Paris Agreement climate goals and reducing climate-related risks. | ✗             |
| AI European Equity Index Tracker | Vinci SA                  | 08/04/2021 | For                   | Approve Company's Environmental Transition Plan  | This resolution is welcome and deemed to be a useful tool for shareholders to signal satisfaction/dissatisfaction with a company's plans. It helps provide further disclosure on climate, which is useful for shareholders and allows for greater accountability.   | N/A           |
| AI European Equity Index Tracker | Equinor ASA               | 11/05/2021 | For                   | Instruct Company to Set Short, Medium, and Long-Term Targets for Greenhouse Gas (GHG) Emissions of the Company's Operations and the Use of Energy Products | It is the third consecutive year in which the group has submitted similar proposals to Equinor. AI is supportive of this proposal, as shareholders would benefit from increased disclosure on the company's setup of interim emission reduction targets and decarbonisation strategy.   | ✗             |

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| Fund   | Company                 | Date       | How the manager voted | Summary of the Resolution                    | Rationale for the Manager vote  | Final outcome                       |
|--|-------------------------|------------|-----------------------|--|---|-------------------------------------|
| AI Pacific Rim Equity Index Tracker            | QBE Insurance Group LTD | 05/05/2021 | For                   | Approve Exposure Reduction Targets           | AI believe environmental, social and governance (ESG) factors have a material impact on the long-term prospects of businesses. AI voted to support this shareholder resolution, as adoption of reduction targets aimed to limit the company's exposure to fossil fuels would enable shareholders to better understand how the company is managing climate change related-risks and assess the effectiveness of the company's related efforts.   | <input checked="" type="checkbox"/> |
| AI Pacific Rim Equity Index Tracker            | Rio Tinto LTD           | 06/05/2021 | For                   | Approve Climate-Related Lobbying             | The shareholder proponents believe that the company's engagement with its industry associations has not produced outcomes that align with mainstream investor standards. They state that Rio Tinto remains a member of several industry associations that continue to oppose Paris-aligned climate policy.  | <input checked="" type="checkbox"/> |
| AI BlackRock UK Equity                         | Royal Dutch Shell Plc   | 18/05/2021 | Against               | Approve the Shell Energy Transition Strategy | RDS has made substantive progress over the last year in announcing a net zero commitment for operational emissions by 2050, alongside greater reductions in the carbon intensity of its products, bolstered by interim targets. However, its transition strategy remains unconvincing benchmarked to certain peers. BlackRock doubt RDS will be able to deliver enough absolute reductions to comply with the Paris climate agreement. BlackRock were hesitant to rubber stamp RDS' strategy and a vote against was considered warranted. | <input checked="" type="checkbox"/> |
| AI BlackRock 50:50 Global Equity Index Tracker | Chevron Corporation     | 26/05/2021 | For                   | Reduce Scope 3 Emissions                     | A vote for this proposal was considered warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow us / other investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.   | <input checked="" type="checkbox"/> |

Source: underlying fund managers