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

The Professional Golfers’ Association Scheme 2001 Retirement and Death Benefits Scheme - Policy E28481

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 Trustee has been followed over the 12 months to 31 December 2021. The Scheme is a Defined Contribution Pension Plan, which will provide members with a money purchase benefit. This Statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator. The table later in the document sets out how, and the extent to which, the policies in the SIP have been followed.

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 has 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 has 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.aviva.co.uk/dwp-library/documents/view/sip_e28481_july_2021_yRsxdap.pdf

Investment Objectives of the Scheme

This Scheme has only one investment option, which constitutes the default, noting that the Scheme has no active members. This arrangement is closed to new members and new investments.

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 are as follows:

- To generate returns in excess of inflation during the lifetime of the investment.
- To provide a strategy that manages investment risk over the lifetime of the investment.
- To provide a strategy that manages the volatility of investment returns through "smoothing".

Review of the SIP

During the year, the Trustees reviewed the Scheme's SIP. A SIP was signed in July 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 as part of the Trustees' investment strategy review. 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 the with-profits investments remained appropriate for the members, accounting for some of the challenges associated with disinvesting from this type of policy earlier than the maturity date.

There are no active members on the Scheme. No changes were made to the investment arrangements due to the risk of returns being lost from the With-Profits policies if they were terminated earlier than the maturity date. These factors limit the Trustees' appetite to make frequent changes to the default.

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 Year.

	Requirement	Policy	In the year to 31 December 2021
1	Securing compliance with the legal requirements about choosing investments	***(1) Introduction*** *The Trustees of the Scheme have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation, relating to provision of information specific to investment that have been defined as "default investments", referred to as "Default Investment Strategy".*	No new investments were implemented during the year, meaning that no advice was required.
2	Kinds of investments to be held	***(2.1) Default Investment Strategy*** *The default option aims to generate* returns *in excess of inflation during the lifetime of the investment;* to *provide a strategy that manages investment risk over the lifetime of the investment;* to *provide a strategy that manages the volatility of investment returns through "smoothing".*	The default investment option was subject to its formal triennial review in December 2021. The default invests in a mix of assets with a view to achieving long-term real growth from the asset pool. The investment objective for Aviva is "to aim for long term growth by investing in a broad range of assets to provide the best possible returns, allowing for the level of guarantees and the amount of excess assets in the Fund". The Trustees believe that a strategy that manages risk through a diversified allocation is appropriate. The selection of the investments is effectively delegated to Aviva, who will consider the kinds of investments to be held in order to achieve the objectives and are responsible for decisions for the smoothing of returns.
3	The balance between different kinds of investments	***(2.2) Policies in relation to the default investment option*** *In designing the default investment option, the Trustees explicitly considered the trade-off between expected risk and*	The Default Investment Strategy manages investment risks through a diversified strategic asset allocation consisting of traditional assets i.e. equities, bonds, property and cash and are invested a pooled investment vehicle, which is managed by Aviva.

		return. As the arrangement has been closed for some years, investment policy has not developed since inception and remains at the discretion of the provider. The Trustees believe that delegating ongoing management and design to the provider is appropriate in this instance, given the nature of the arrangement.	The asset allocation of the Default Investment Strategy as at 31 December 2021 is composed by 14.8% UK Equities, 26.9% International Equities, 8.7% Property; 13.5% Fixed Interest Gilts; 33.9% Fixed Interest – other bonds and 2.2% Cash/Money Market Instruments. Aviva provides an annual summary, which describes the underlying asset allocation of the current With-Profits arrangement.
4	Risks, including the ways in which risks are to be measured and managed	***(3.1) Risk*** *The Trustees have explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy, the Trustees consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members.*	The Trustees have considered risks from a number of perspectives but overall risk control is again delegated to the manager. From a qualitative perspective, the Trustees have considered risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option. As this is a legacy arrangement, members typically have small fund values and the Trustees' decision has been to maintain the investments and preserve the terms of the With-Profits arrangements and associated guarantees.
5	Expected return on investments	***(2.2) Policies in relation to the default investment option*** *In designing the default investment option, the Trustees explicitly considered the trade-off between expected risk and return.*	As above plus the Trustees have access to the return that is published, to consider the smoothing element. The provider sets any bonus rates that have an impact on the return.

6	Realisation of investments	***(2.2) Policies in relation to the default investment option*** *Assets in the Default Investment Strategy are invested a pooled investment vehicle, which is managed by Aviva. The selection, retention and realisation of assets within the funds are delegated to Aviva. The Trustees consider the liquidity of the investments in the context of the likely needs of members. The default arrangement is daily dealing and therefore should be realisable based on member demand.*	Members' investments and the funds available are closed for the purposes of new investment but remained open over the year for the realisation of assets where required. No action was taken in terms of disinvestments by the Trustees – the members are able to disinvest of their own accord, based on their own retirement plans and timings. The Trustees have considered disinvesting on behalf of the members but remain of the view that the nature of the policies provide a meaningful barrier to doing so.
7	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	***(2.2) Policies in relation to the default investment option*** *Aviva has full discretion (within the constraints of their mandates) on the extent to which environmental, social and governance (ESG) considerations are taken into account in the selection, retention and realisation of investments. Whilst the Trustees have not sought feedback from our members directly on their views on these issues, we welcome member views in this area.*	The Trustees' policy on ESG risks is delegated to the manager of the Fund and measured through annual reporting from the provider. 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. The Trustees review ESG ratings on an annual basis and review against the Mercer GIMD universe, where possible, noting that this is challenging for with-profits policies. There has been no member feedback to consider during the year.

8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	*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).*	Member views are not explicitly taken into account in the selection, retention and realisation of investments – hence no action taken over the year. There are no active members, meaning that the likelihood of receiving member feedback is low.
9	The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	***(7) Corporate Governance, Voting and Activism*** *Aviva has full discretion (within the constraints of their mandates) on the extent to which environmental, social and governance (ESG) considerations are taken into account in the selection, retention and realisation of investments.*	The Default Investment Strategy is the Aviva FP With-Profits Fund (NGP Pre Demutualisation) Arrangement, which contains an allocation to equities. This arrangement adopts an investment approach that is defined by the bundled pension scheme provider, Aviva. The developments in policy were reviewed within the investment strategy review. The information received about the voting activity is summarised at the end of this statement.

10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	*Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.* *Where deemed appropriate the Trustees will engage with investment managers regarding undertaking of activities in respect of investments if they are deemed to be falling behind wider peers or not meeting the responsibilities expected of them.*	No specific activity took place during the year under review and this is likely to be the position in future for With-Profits arrangements.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees policies	***Aligning Manager Appointments with Investment Strategy*** *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.* *The Trustees will seek guidance from the Investment Consultant, where appropriate, for their forward looking*	As the Trustees invest in pooled investment funds, they accept that they cannot specify the risk profile and return targets for these funds. Manager ratings are not available for With-Profits arrangements but consideration has been given to the terms of the arrangement and associated bonus rates and guarantees, with support from the investment consultant, within the investment review completed during the year. No new underlying investment managers were appointed during the year.

		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. *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.*	
12	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	*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.*	Factsheets were received from Aviva during the year, which details the absolute performance and relative performance. These factsheets were reviewed by the Trustees. Bonus rates for the policies were also published by Aviva within their annual report.
13	How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted	*The Trustees monitor portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of the annual value for members' assessment.*	Transaction costs are disclosed in the annual Chair's Statement and Value for Members' assessment. Aviva confirmed the With- Profits Fund (NGP Pre Demutualisation) has a total transaction cost of 0.139%.

	portfolio turnover or turnover range		
13	*The duration of the arrangement with the asset manager*	*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:* *1) There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;* *2) The basis on which the manager was appointed changes materially (e.g. manager fees or investment process);* *3) The manager appointed has been reviewed and a decision is taken to terminate the mandate.*	There were no changes in investment managers during the year.

Appendix A – Voting Activity during the Scheme year

The Trustees have delegated activities relating to the exercise of voting rights on investments and engagement with investee companies to Aviva as the fund manager. Aviva did not provide voting and engagement activity specific for the Aviva FP With-Profits Fund (NGP Pre Demutualisation). Information below relates to Aviva as investment manager.

Overview of use of proxy services

Aviva Investors subscribe to proxy advisory services for independent research and recommendations including recommendations based on their own policy (where certain resolutions will be referred to us for further consideration). Providers include the IVIS service, ISS-Ethix and MSCI. Aviva use research for data analysis only as they have their own robust voting policy, which is applied to all holdings. Aviva also take into consideration the views of the fund manager and the conversations with the company through voting specific engagement.

Process followed for determining the "most significant" votes?

Aviva look at a number of criteria for the list of votes undertaken for the fund including: the impact on the company (both short and long-term) if the resolution was or wasn't approved; the materiality of the shareholder resolutions; the level of public and / or media interest in certain companies and resolutions; and how significant the holdings are in relation to the fund and to Aviva Investors (acknowledging that the larger the aggregate / percentage holding, the more ability we have in affecting change).