Annual Implementation Statement (“the Statement”) – Year Ending 31 December 2020

The Professional Golfers’ Association Scheme 2001 Retirement and Death Benefits Scheme (the “Scheme”) – Policy F29359

Introduction

This Statement sets out how, and the extent to which, the Statement of Investment Principles (‘SIP’) produced by the Trustees have been followed during the year to 31 December 2020. 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.

We can confirm that all policies in the SIP have been followed in the year to 31 December 2020.

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.

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".

- 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 Trustees:

- Will provide access to pooled funds where members invest assets alongside other schemes and other members, which is the most cost effective way to implement the investment arrangements.
- Will from time to time, obtain professional advice to monitor and review the suitability of the funds provided and may change the managers or investment options.

Review of the SIP

During the year, the Trustees reviewed the Scheme's SIP, which is a default SIP only as the Scheme is a separate section of the overall scheme. A draft SIP was produced in August 2020 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 Trustees' 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 Trustees' policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset manager.

This draft was finalised after the year-end but the Trustees have been working to follow these principles during the year.

Investment Strategy Review

The default investment option is reviewed at least triennially as part of the Trustees' investment strategy review. The last review of the main scheme was undertaken in November 2018. 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

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 changed.

Assessment of how the policies in the SIP have been followed for the year to 31 December 2020

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.

	Requirement	Policy	In the year to 31 December 2020
1	Securing compliance with the legal requirements about choosing investments	***(1.1) 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, hence no advice was sought during this period.
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 November 2018. Although a review was not undertaken during this year, the process represents an important exercise for the Trustees that covers the majority of the investment policies the Trustees' have in place. The Default Investment Strategy 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 who are also responsible about 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 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 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. The asset allocation of the Default Investment Strategy as at 31 December 2020 is composed by 14.9% UK Equities, 27.8% International Equities, 7.5% Property; 13.5% Fixed Interest Gilts; 35.4% Fixed Interest – other bonds and 0.9% 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*	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.

		potential retirement outcomes for members.	
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 via 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.
7	Financially material considerations over the appropriate time horizon of the	***(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*	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

	investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*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.*	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 have been no member views to consider.
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.*	Member views are not explicitly taken into account in the selection, retention and realisation of investments – hence no action taken over the year.
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,	***(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 Trustees have requested more information on voting records from the investment managers mainly regarding the main Scheme. The information received is summarized at the end of this statement.

	and the circumstances under which, trustee would monitor and engage with relevant persons about relevant matters)		
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 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	***Aligning Manager Appointments with Investment Strategy*** *Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood*	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

	investment strategy and decisions with the trustees' policies	*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 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.*	associated bonus rates and guarantees, with support from the investment consultant. No new underlying investment managers were appointed during the year.
12	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration	*The Trustees receive investment manager performance at least annually using information provided by Aviva. The Trustees review the absolute performance and relative*	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.

	for asset management services are in line with the trustees' policies	*performance against a suitable index or benchmark.*	
13	How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range	*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.*	Transaction costs are disclosed in the annual Chair's Statement and Value for Members' assessment. It has not been possible to obtain appropriate data given the nature of With-Profits investments.
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*	There were no changes in investment managers during the year.

		(e.g. manager fees or investment process); *3) The manager appointed has been reviewed and a decision is taken to terminate the mandate.*	

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 an 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 uses research for data analysis only, as they have their own robust voting policy, which applies 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 looked 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). It is evident in some of the selected votes that these reflect multiple criteria explained above, but it is important to note that this selection process was quite subjective.