Urenco UK Pension Scheme

Annual Implementation Statement – 5 April 2023

This Statement has been prepared by the Trustee of the Urenco UK Pension Scheme (“the Scheme”), and sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) has been followed during the year to 5 April 2023 (“the Scheme year”). This Statement also includes a summary of the voting activity that was carried out on behalf of the Trustee over the Scheme year by the Scheme’s investment managers.

In summary, it is the Trustee’s view that the policies in the SIP have been followed during the Scheme year.

In Section 1 we outline any changes to the SIP over the Scheme year. The remainder of the Statement is then divided into two sections: the Defined Benefit Section (“DB Section”) and the Defined Contribution Section (“DC Section”).

1. Statement of Investment Principles

The Scheme’s SIP was unchanged during the Scheme year to 5 April 2023; the version dated March 2022 remained in place. The latest SIP is available here.

2. DB Section

2.1. Investment Objectives

The objectives of the DB Section are as follows:

- *Invest the Section’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest between them and the Principal Company, in the sole interest of the members and beneficiaries. In doing so the Trustee pays due regard to the Principal Company’s position with respect to the size and incidence of employers’ contribution payments.*
- *The Trustee has an investment objective that targets full funding by 2025 on a low risk basis (gilts + 0.5% p.a.). The purpose of this objective is to reduce the reliance on the covenant of the Principal Company.*

2.2. Assessment of how the policies in the SIP have been followed for the Scheme year

The information provided in the following sections highlights the work undertaken by the Trustee during the Scheme year for the DB Section and sets out how this work followed the Trustee's policies in the SIP. In summary, it is the Trustee's view that the policies in the SIP for the DB Section have been followed during the Scheme year.

Strategic Asset Allocation

	Policy	How the policy has been met over the Scheme year

1	Kind of investments to be held and the balance between different kinds of investments
	(Section 2.3 of SIP)
		• The Trustee continued to review its journey plan throughout the Scheme year. Changes made to the Scheme's investments over the period included:
		  ◦ The termination of the Nordea Diversified Fund during October 2022, with the proceeds invested in the Insight portfolio.
		  ◦ The redemption of all but one unit in the Wellington's Multi-Asset Credit Fund during October 2022, with the proceeds invested in the Insight portfolio (the single unit was retained should the Trustee decide in the future to reinvest in the Fund).
		• Both of these changes were made in response to the "gilts crisis" which prompted a number of collateral calls (requests for cash) from the Scheme's Liability Driven Investment ("LDI") manager, Insight, in order to maintain the Scheme's target level of liability hedging (thereby maintaining risk levels).
		• Over the year the Scheme moved from implementing the Ruffer absolute return strategy via a segregated account to investing in a Ruffer pooled fund. Over time, this would be expected to give greater liquidity terms for the Scheme's assets.
		• The Trustee has since reviewed the investment strategy, and is considering potential further changes to reflect the funding position and journey plan post-gilts crisis.

	Policy	How the policy has been met over the Scheme year
2	Risks, including the ways in which risks are to be measured and managed (Section 2.4 of SIP)	• As part of their regular quarterly risk dashboard and investment performance monitoring, the Trustee monitored changes in the Scheme's exposure to various risks, including asset versus liability, active management and manager-related risks. • The Trustee manages interest rate and inflation risk by investing in Liability Driven Investment ("LDI") assets. During Q1 2023, a new LDI benchmark was derived based on liability cashflow data as at 5 April 2021 and market conditions as at 31 October 2022. As at the time of writing, the Trustee is in discussions regarding the appropriate hedging solution to adopt against the new LDI benchmark. As at the Scheme year-end, the target interest rate and hedge ratios were 80% and 90% of liabilities respectively (as measured on a gilts+0.5% basis). The Trustee also kept collateral risk under review as part of quarterly monitoring. • The Trustee also reviewed their risk register to ensure investment risks were accurately captured.
3	Expected return on investments (Section 2.3 of SIP)	• The Trustee reviewed the expected return on investments to allow for changes in market conditions. The resulting expected return from the assets was sufficient to meet the Trustee's objectives. • As part of the quarterly investment performance reports, the Trustee monitored actual performance for each investment manager, and at a total Scheme level, relative to their respective benchmarks, and monitored their advisers view on each manager's ability to meet their return targets via Mercer's manager ratings. In October 2022, a Watch (W) status was applied to the rating of the M&G HLV property strategy to reflect the number of changes at senior leadership level. In January 2023 the status was retained following the announcement of Joseph Pinto's appointment as CEO of M&G Asset Management, who also took the CIO responsibilities held by Jack Daniels who will retire in 2023. The firmwide 'W' designation was retained as at 5 April 2023. There were no other changes to the investment manager ratings over the Scheme year.

Investment Mandates

	Policy	How the policy has been met over the Scheme year
4	Securing compliance with the legal requirements about choosing investments (Section 1 of SIP)	• The Scheme's investment advisors provided updates on Scheme performance and, where required, ongoing appropriateness of the funds used, as well as advice on asset allocation and investment risks, during the Trustee and Investment Sub Committee meetings and via the quarterly investment reports. • Day-to-day management of assets is delegated to investment managers who are authorised and regulated by the relevant financial regulators.

	Policy	How the policy has been met over the Scheme year
5	Realisation of investments (Section 2.6 of SIP)	• The Trustee agreed to receive income from the Nordea Diversified Growth Fund and the M&G Secured Property Income Fund, and switched to income distributing units during April 2022 and January 2023 respectively. Receipt of income will reduce the size of disinvestments required from the Scheme's invested assets going forwards. • Any disinvestments made over the year to meet cashflow requirements were implemented in line with the Trustee's cashflow policy. • Cashflow requirements arising from the LDI portfolio were met from the other investments managed by Insight as well as redemptions from the Scheme's growth assets, most notably during the gilts crisis. • As part of the review of the investment arrangements, the Trustee is aware that the M&G Secured Property Income Fund is only, in typical market conditions, realisable on a quarterly basis. Following redemption requests received from other clients, M&G implemented their redemption deferral mechanism, in line with the Fund's legal documentation. In addition, the RLAM credit fund trades on a monthly basis and depending on the size of investment or disinvestment, a transition fund may be used to build up/reduce exposure over time. The Ruffer Absolute Return Fund is weekly-dealt. All other assets are daily-dealt.
6	Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments (Section 2.4 and Section 4 of SIP)	• The investment performance reports were reviewed by the Trustee on a quarterly basis, which include Mercer's investment and ESG research ratings for each fund. The Trustee remained comfortable with the ratings applied to the managers, and continues to closely monitor these ratings and any significant developments for the managers. • During the Scheme year, the Trustee reviewed how each manager's ESG rating compared with other managers in the same asset class. • Over the year, the Trustee terminated the Nordea Diversified Growth Fund and redeemed the majority of the Scheme's holding in the Wellington Multi-Asset Credit Fund, with the sale proceeds used to meet collateral requirements within the LDI portfolio. These changes resulted in a material reduction in risk. • Non-financial matters have not explicitly been taken into account with regards to in the selection, retention and realisation of investments.

Monitoring the Investment Managers

	Policy	How the policy has been met over the Scheme year
7	Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies (Section 5.1 of SIP)	• The Trustee used the information set out in the quarterly investment reports, including manager performance and Mercer's investment ratings, to review their manager appointments over the Scheme year. • Over the year, the Trustee terminated the appointment of Nordea, as outlined in item 1 above. • The ISC met with Insight in November 2022, and with M&G and RLAM in March 2023, to review performance.
8	How the arrangement incentivises the investment 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 (Section 5.1 of SIP)	• Over the year, the Trustee monitored how each investment manager chooses assets for investment and embeds ESG into their investment process, via changes in the investment and ESG ratings assigned by Mercer. Over the Scheme year, Mercer's ESG ratings remained unchanged across all of the Scheme's mandates. • The Trustee has also received and considered key voting and engagement information from the managers, which is summarised in the Voting and Engagement section that follows. • Based on the information provided to them over the year from the managers and their investment adviser, the Trustee remains satisfied that managers are choosing investments based on their medium to long-term financial and non-financial performance and are engaging appropriately with issuers of debt and / or equity on factors that will affect the issuer's long-term performance, such as ESG considerations.
9	Evaluation of the investment manager's performance and the remuneration for asset management services (Section 5.2 of SIP)	• The Trustee received, and considered, performance reports produced on a quarterly basis, which presented performance information and commented on the funds they invest in over various time periods. The Trustee reviewed absolute performance and relative performance against a suitable index used as a benchmark and / or against the managers' stated target performance on a net of fees basis. • In moving to the Ruffer Absolute Return fund from a segregated account, a new fee arrangement was put in place, details of which were agreed by the ISC prior to decision making.
10	Monitoring portfolio turnover costs (Section 5.3 of SIP)	• The Trustee received, where applicable, MiFID II reporting from the investment managers, but does not currently analyse the information. The Trustee assessed investment performance net of the impact of costs and fees. • The Trustee continues to monitor industry improvements concerning the reporting of portfolio turnover costs.
11	The duration of the arrangement with the investment manager (Section 5.4 of SIP)	• Over the Scheme year, the Trustee terminated the Nordea Diversified Growth Fund and redeemed the majority of the Scheme's holdings in Wellington's Multi-Asset Credit mandate as outlined above in Section 1. The Trustee continues to take a long term view with managers within the journey plan they are targeting.

ESG, Stewardship and Climate Change

	Policy	How the policy has been met over the Scheme year
12	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters) (Section 4 of SIP)	• The Trustee delegated engagement activities with companies to the investment managers. • All of the Scheme's investment managers (where relevant), have confirmed they are signatories of the 2020 UK Stewardship Code. • As outlined above, the Trustee monitored the investment and ESG ratings assigned to each manager by Mercer. • The ISC discussed integration of ESG into their investment processes, and engagement examples, with RLAM and M&G when they presented to the ISC in March 2023.

Voting Disclosures

	Policy	How the policy has been met over the Scheme year
13	The exercise of the rights (including voting rights) attaching to the investments (Section 4 of SIP)	• The Trustee delegated voting activities to the investment managers. • The Trustee has requested key voting activities from their managers over the Scheme year. The information received is summarised in Sections 2.4 and 2.5 of this Statement.

2.3. Engagement Activity Examples – DB Section

A number of these engagement examples may not be directly relevant to the investments held by the Scheme but are illustrative of the actions being taken by the investment manager at an overall organisation level.

RLAM - Engagement in Practice
RLAM coal supply and demand engagement
Coal-fired power generation increased across Europe and emerging markets in 2022. Reducing coal supply is an imperative to stabilise the climate and RLAM engage to ensure companies focus on phasing out highly carbon intensive fuel. During 2022 RLAM engaged twice with CLP Holdings, an energy utility company based in Hong Kong. The firm did not see any significant barriers to decarbonisation in Hong King, India, China or Australia. The company has coal-fired plants in all these geographies. RLAM met CLP's Head of Sustainability and requested further details on their plans for coal phaseout and Just Transition. CLP is exploring options to replace coal generation via renewables and capacity mechanisms such as battery storage / pumped hydro technologies. RLAM also met with Glencore plc, a mining company. Glencore's current targets can be considered aligned with the Paris Agreement if assessed against trajectories for fossil fuels including oil and gas. These targets however may need recalibrating against coal-specific pathways. RLAM asked the company to test its medium and short-term targets using coal-specific scenarios.

Insight - Engagement in Practice
Insight engagement to improve ESG transparency
Insight engaged with an IT infrastructure services provider to improve its disclosures, focusing on greenhouse gas emissions reduction targets and human capital metrics. Insight identified the company for engagement due to its poor performance with third-party ratings agencies, which was driven by weak reporting and a lack of transparency. Following the engagement, Insight monitored the company's progress and were pleased to see that it set a number of carbon reduction targets, including a target to achieve net-zero carbon emissions by 2040. Insight have sought to continue the conversation in 2023 to understand if the company has implemented any additional recommendations, and to see if the developments have fed through to the company's scoring with third-party rating agencies.

Wellington - Engagement in Practice

Wellington engagement with private water company Aegea

During the third quarter of 2022, Wellington's fixed income credit analysts engaged with Aegea, the largest private sanitation company in Brazil, to evaluate the company's ability to manage physical climate risks, focusing on the increased likelihood of droughts and seasonal rainfall variability in Aegea's southern operating regions. Analysis shared with Aegea highlighted the potential water scarcity risks associated with these climate factors. During the engagement, Aegea acknowledged hydrological risks and hired a weather-forecasting consultant to improve their climate modelling.

They expect their operations and water supply in the northeast region of Brazil to be unaffected by drought, relying on the Parnaiba River as the main water source. For the southern part of the country, where high water demand is anticipated, Aegea shared plans to reduce water loss through network repairs, replacements, and the installation of water-pressure meters.

Ruffer - Engagement in Practice

Ruffer engage with OceanaGold

Ruffer met with OceanaGold's (a multinational gold producer) sustainability team to discuss the company's strategy for decarbonising its operations. The outcome was the announcement of an interim target of reducing Scope 1 and 2 emissions by 30% by 2030. Ruffer highlighted their preference for frequent data disclosure so that investors could monitor progress towards this target. The company confirmed emissions data will be published annually alongside data for the previous five periods to aid comparison. Furthermore, performance incentives are in place to support the delivery of these climate targets. Whilst OceanaGold is comprehensively tackling its Scope 1 and 2 emissions, Ruffer wanted to know how it was progressing with measuring its Scope 3 emissions. The company is going through its supply chain to identify large contributors to its Scope 3 emissions. Both upstream and downstream players are undergoing similar emission reduction exercises, so OceanaGold should be on track to reach Net Zero by 2050.

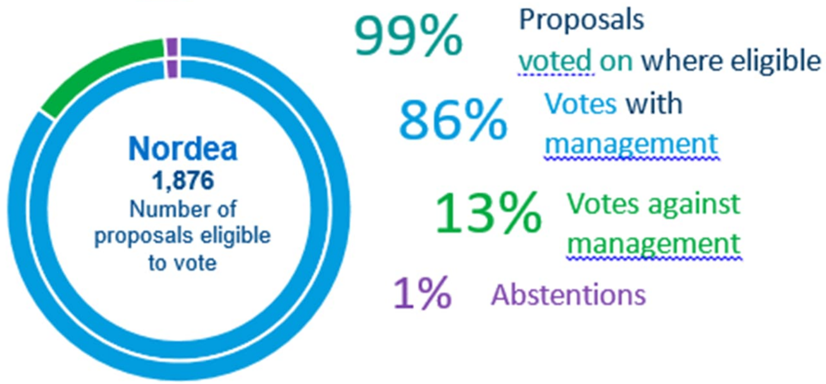
M&G - Engagement in Practice
ESG and Net Zero Commitments
M&G have met with David Lloyd Leisure (health, sport and leisure provider) on a number of occasions to discuss both M&G's and David Lloyd's ESG aspirations. Discussions have related to a number of initiatives, for example, boreholes and ground source heat pumps. At these meetings, M&G would regularly meet with David Lloyd's ESG Director to discuss David Lloyd's net zero carbon target of 2030. M&G have engaged successfully with David Lloyd over the year. As a result, David Lloyd's energy data has been supplied to enhance the fund's reporting. Borehole installation has been completed on several sites and they have reduced mains water usage for landscaped areas around clubs.

2.4. Voting Activity during the Scheme Year

A summary of the voting activity for the Scheme's DGF mandate with Ruffer and for the mandate with Nordea for the portion of the Scheme year prior to the mandate being terminated (voting information from 1 April 2022 to 31 October 2022) is set out below. Over the prior 12 months, the Trustee has not actively challenged the investment managers on their voting activity. The Trustee does not use the direct services of a proxy voter, however some of the Scheme's investment managers use research and proxy-related services to assist with the mechanics of voting.

Votes "for / against management" assess how active managers are in voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur.

Some proposals were abstained – reasons include selling the stock during the period between the record date and AGM date, and conflicts of interest.



Source: Ruffer and Nordea. Figures may not sum to total due to rounding.

2.5. Voting Activity during the Scheme Year

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the definition of a "significant vote". The most material change was that the Statutory Guidance provides an update on what constitutes a significant vote and that trustees were required to include details on why a vote is considered significant and rationale for the voting.

The Trustee's stewardship priorities are based on climate change, with a specific focus on disclosure of carbon emissions, particularly availability of scope 3 emissions. The Trustee defines a significant vote to be any vote where the manager holds more than 3% of the available voting stock (in the UK, 3% of voting rights is the threshold when an investor must inform the company a holding has been accrued). The Trustee will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustee did not inform the managers of its definition of a significant vote in advance of voting.

The Trustee has reviewed the voting information provided by Ruffer and Nordea. Neither manager held voting stock in excess of 3% for any company. As such there are no votes meeting the Trustee's significant vote definition. We have shown a selection of votes by Ruffer and Nordea in stocks where their position was more than 3% of their fund and related to climate change as this is the Trustee's key stewardship priority.

Ruffer

Investment Manager	Issuer	Date	Vote Category	Proposal	Size of Holding (of specific fund)
Ruffer	BP	12 May 2022	Environmental (Stewardship Priority)	Approve Shareholder Resolution on Climate Change Targets	3.1%
	Manager Rationale and Outcome				
	Ruffer voted against this shareholder resolution and voted in line with ISS and management. They engaged with the company ahead of the vote. Ruffer have done extensive analysis on BP's work on the energy transition and climate change and think they are industry leading. Ruffer support management in their effort to provide clean, reliable and affordable energy and therefore voted against the shareholder resolution. Ruffer have stated that they will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which they deem unnecessary. The resolution failed with 85.1% against.				
Ruffer	Shell	19 May 2022	Environmental (Stewardship Priority)	Approve the Shell Energy Transition Progress Update	3.0% (approx.)

Manager Rationale and Outcome

Ruffer voted in line with management and ISS for this resolution. The Company put its progress on energy transition to a shareholder vote, as it will do on an annual basis. In terms of progress, new operational targets were introduced for 2030; plans cover Scope 1, 2 and 3 emissions and encompass short, medium and long-term timeframes and the update is in line with the Energy Transition Strategy, as submitted for approval in 2021. There was progress against the Company's aims during the year and it achieved the intensity reduction aims it signalled for FY2021. Ruffer will continue to monitor Shell closely, but in this case their progress was sufficient to warrant Ruffer's approval. This resolution passed, with 77.4% support.

Ruffer	Shell	19 May 2022	Environmental (Stewardship Priority)	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	3.0% (approx.)

Manager Rationale and Outcome

Ruffer voted in line with management and ISS, against this shareholder resolution. Ruffer have engaged extensively with Shell and are very clear on their ambitious climate strategy. Ruffer disagree with the proposed shareholder approach. Ruffer believe that Shell's Energy Transition Plan, and the report on progress against it, already provides the information sought by the requisitionists – and Ruffer trust management to execute on their strategy that ultimately leads to the same place: Net Zero. This vote failed, with 19.9% support.

Nordea

Manager	Issuer	Date	% of Fund at date of vote	Vote Category	Proposal	Vote by Manager	Vote by Company Management	Rationale and outcome
Nordea	Alphabet	01/06/2022	4.1%	Environmental (Shareholder resolution)	Report on Climate Lobbying	☑	☒	Nordea supported the proposal as it improves transparency on material ESG issues such as Climate change. The resolution failed.
	Alphabet	01/06/2022	4.1%	Environmental (Shareholder resolution)	Report on Physical Risks of Climate Change	☑	☒	Nordea supported the proposal as it improves transparency on material ESG issues such as Climate change. The resolution failed.