

Comet Pension Scheme ('Scheme')

Implementation Statement

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Comet Pension Scheme (the 'Scheme') in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 31 March 2021, and the changes made were predominantly for regulatory changes relating to ESG factors, corporate governance and voting. This updated SIP came into force from 15 September 2020.

A copy of the current SIP signed and dated 15 September 2020 can be found here <https://www.comet-pensions.co.uk/library/File/statement-of-investment-principles-september-2020.pdf>.

This first Implementation Statement covers the Scheme's scheme year from 1 April 2020 to 31 March 2021 (the "Scheme Year"). It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

The Trustee is responsible for the investment of the Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy but has delegated the day-to-day investment of the Scheme's assets, within pre-defined constraints to professional Investment Managers. The Trustee, with advice from their advisers, appoints and monitors the Scheme's Investment Managers.

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Scheme's SIP sets out the Trustee's policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Investment Managers where the Scheme's investments are pooled with other investors. Direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those underlying Investment Managers.

During the period, the Trustee appointed River and Mercantile Investments Limited ("R&M") as its Investment Manager using its Fiduciary Management service. The transition of assets to the Investment Manager will take place following the Scheme Year end, after which the appointment of the underlying investment managers will be delegated to R&M.

The Trustee believes it is appropriate to delegate voting and engagement decisions to their Investment Managers in order to achieve an integrated and joined up approach to ESG factors, voting and engagement together. In this way as the Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustee, the Trustee is satisfied

that the Investment Managers can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). The Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time.

During the Scheme year the Trustee has carried out the following activity in relation to these policies:

- On behalf of the Trustee, monitoring of the Investment Managers' ESG and stewardship policy was carried out through regular investment and operational due diligence reviews and meetings by the Trustee's investment adviser with any important updates communicated to the Trustee over the Scheme year.
- The Trustee with the help of their investment adviser, monitored the performance of the Investment Managers against their agreed performance objectives at each of the quarterly Trustee meetings during the Scheme Year.
- The Trustee received ESG training and reviewed the ESG position of the managers at the December 2020 Trustee Training Day. The Trustee received training on the incorporation of ESG in the newly appointed fiduciary portfolio at the March 2021 Strategy Day.
- The Trustee has reviewed the voting and engagement activity carried out by its Investment Managers during the Scheme Year, and a summary is provided in the next section.
- Over the period, the Trustee held review meetings with the following investment managers: Threadneedle (Dynamic Real Return Fund) and River and Mercantile Investments Limited (Active Structured Equity and the Opportunistic Portfolio). Together, these managers represent approximately 45% of the Scheme's Total Assets as at the reporting date. The Trustee operates individual manager reviews on a rotational basis.
- At each quarterly Trustee meeting, the Trustee together with its investment adviser review the performances of the investment mandates against their respective benchmark.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

3. Voting and Engagement Summary

To ensure all relevant voting and engagement activity is covered, this statement includes information on both

- the underlying investment managers investing in securities; and
- any voting rights retained by the Trustee

Where proxy voting agents have been used, this has been included in the voting information.

Summary of voting activity with respect to equity securities

Equity voting statistics	Threadneedle Dynamic Real Return Fund	R&M Dynamic Asset Allocation Fund Class ¹
Total meetings eligible to vote	358	47
Total resolutions eligible to vote	4659	321
% of resolutions voted on for which you were eligible?	98.8%	86.3%
% voted with management?	91.3%	87.0%
% voted against management?	6.3%	12.0%
% abstained?	2.4%	4.7%
% of meetings, for which you did vote, where you voted at least once against management?	49.4%	50.0%
% of resolutions, on which you did vote, where you voted contrary to the recommendation of your proxy adviser? (if applicable)	n/a	0.0%

Source: All data in this section has been provided by the investment managers.

Trustee's conclusions on voting & engagement

The Trustee has considered the voting behaviour (provided above) along with engagement activity that took place on their behalf during the Scheme Year and is pleased to report that its managers have demonstrated high levels of voting activity, challenge to management and active engagement on a range of relevant topics throughout the Scheme Year. Specifically, the Trustee noted that:

- All of the relevant managers were able to provide evidence of high levels of engagement activity
- Each relevant manager demonstrated very high levels of voting rights being acted on and sufficient challenge to management.
- Challenge to management was demonstrated through votes against management.
- The general theme over the Scheme year was on environmental issues, climate change in particular. Executive pay and board diversity were the other main themes identified.
- Within the broad bond mandate, there was particular focus of engagement on supply chain transparency, including discussions with companies on their carbon emissions along their supply chain.
- The other notable broad bond manager engagement was in relation to environmental factors, in particular deforestation as well as engagement on improving social targets.

¹ included in the Opportunistic portfolio

- Threadneedle consider any vote against management to be a significant vote. An example of the 6.3% of votes where they voted against management is:
 - Threadneedle voted against a resolution to appoint a Director to the board on the grounds that they are an affiliate serving on a key committee and this is therefore not best practice when it comes to corporate governance.
 - Ultimately the resolution was passed, as insufficient investors had the same concerns.
- An example of a significant engagement for the R&M Dynamic Asset Allocation Fund was a vote against the reappointment of the Board of a Bond Fund, managed by a global asset manager, in April 2020.
 - In accordance with the R&M Voting Policy for Pooled Investment Vehicle Holdings, R&M have a minimum requirement of 2 independent directors. R&M have engaged with the manager on this point since 2018. At the 2020 AGM one independent director was appointed (previously none), however R&M did not consider them fully independent as they were affiliated to the Fund legal advisor, therefore R&M subsequently felt unable to support the resolution for a second year. The outcome of the vote has not yet been confirmed.
 - R&M have been engaging on this point through their operational due diligence monitoring process since 2018 and again engaged on it in May 2020 as part of a periodic update. R&M believe the Manager is looking to make further appointments so will continue to monitor this and will continue to engage and exercise their clients voting rights as required.
 - R&M consider this to be a significant vote because it involves a vote against management.
- In relation to the liability hedging and active structured equity mandates, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.
- In relation to the cashflow matching mandates, the Trustee noted that the selected manager takes a proactive role in ensuring the long-term sustainability of the markets regularly. The manager actively engages with companies and other industry members and supports a number of ESG initiatives.

Ian Edwards

On behalf of the Comet Pension Scheme

September 2021