

## **WH Smith Pensionbuilder – Statement of Investment Principles (“SIP”) Implementation Statement**

### **Introduction**

This SIP Implementation Statement (“the Statement”) has been prepared by WH Smith Retirement Savings Plan Limited (“the Trustee”) in relation to the WH Smith Retirement Savings Plan (“the Plan”).

This is the third Statement produced by the Trustee as required by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended). The regulations state that the Statement must (amongst other matters):

- Set out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year;
- Describe any review of the SIP undertaken during the year in accordance with regulation 2(1) of The Occupational Pension Schemes (Investment) Regulations 2005 (the “Investment Regulations”) and any other review of how the SIP has been met;
- Explain any changes made to the SIP during the year and the reasons for the changes;
- Where no such review was undertaken during the year in accordance with regulation 2(1) of the Investment Regulations, give the date of the last review; and
- Where relevant, describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of the services of a proxy voter during that year.

## *WH Smith Pensionbuilder – Statement of Investment Principles (“SIP”) Implementation Statement Introduction (continued)*

This Implementation Statement covers the period 1 April 2022 to 31 March 2023, the Scheme’s reporting year, in line with the regulations that came into force in October 2019.

The Statement is split into three sections:

1. an overview of the Trustee’s actions and highlights during the period covered;
2. the policies set out in the SIP and the extent to which they have been followed in the reporting period; and
3. the voting behaviour and significant votes undertaken by the fund managers on behalf of the Plan.

### **SIP Updates**

The SIP most relevant for this reporting period is the document updated in August 2022 to reflect the changes to the DC investment options available to members, and the Trustee’s view on stewardship and financially material risks such as ESG, including climate change.

The Trustee is committed to reviewing the SIP no less frequently than every three years, including following the upcoming investment strategy changes.

### **Compliance with Legislative Requirements**

The SIP sets out the Trustee’s policy for securing compliance with the requirements of section 36 of the Pensions Act 1995 and the Trustee’s policy on matters set out in the Occupational Pension Scheme (Investment) Regulations 2005 (the 2005 Regulations). Over the period covered by this statement, the Trustee has, where appropriate, obtained and considered investment advice from Redington and legal advice from Mayer Brown before investing and in making decisions.

### **Overview of Trustee’s Actions**

#### ***Investment Objectives and Strategy***

#### ***Trustee’s policies for investment managers***

The responsibility for managing the Plan’s holdings is delegated to its fund managers. Specifically, the Trustee has entered into a contract of insurance with BlackRock. Formerly a client of BGI, BlackRock took over BGI in 2009 before Aegon purchased the UK DC platform business of BlackRock which was finalised with a Part VII transfer in 2018. The Trustee believes that the Plan’s fund managers are well placed to engage with invested companies on environmental, social and governance (“ESG”) matters, given their knowledge of the company and the level of access they have to company management. This is also a pragmatic approach because of the number of stocks owned by the Plan, and the amount of time corporate entities have available for single investors.

However, the Plan sets out its expectations to its asset managers in terms of Corporate Governance via its Voting and Engagement Policy document and adherence to the Pensions and Lifetime Savings Association (“PLSA”) policy guidelines, as well as its Statement of Investment Principles.

Trustee’s policies for investment managers (*continued*)

Included in the SIP is reference to the Trustee’s preference to assess manager performance with a focus on longer-term outcomes and consideration of medium to long-term non-financial performance. As such, the manager is expected to act in accordance with these beliefs.

The Trustee believes that it should act as a responsible steward of the assets in which the Plan invests as this can improve the longer-term returns of its investments. The Trustee notes that sustainable financial outcomes are better leveraged when supported by good governing practices, such as board accountability.

**Review of SIP Policies**

Policy	Has the policy been followed?	Evidence
<b>Investment Objectives (1/2)</b>		
<p>To offer members a range of investment funds to enable them to design an investment strategy of appropriate liquidity which aims to generate income and capital growth.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The different Lifestyle arrangements invest in four funds, managed by BlackRock, i.e. the MSCI World Equity Fund, the Over Five Years UK Index-Linked Gilt Index Fund, the Corporate Bond Index Fund Over 15 Years and the Cash Fund.</p> <p>The Lifestyle approach adopts an equity bias for younger members in order to benefit from the expected higher potential long-term returns that the Trustee believes will arise from such investments. Older members’ assets are moved into bonds and cash as they approach retirement, in order to limit volatility of returns relative to the price of annuities or cash.</p> <p>Over the Scheme year the Trustee implemented an increase to the allocation of equities at retirement in the Cash Lifestyle from 0% to 25%, so, as to retain a degree of capital growth. The change was implemented in June 2022 following a triennial review of the investment strategy with help of their investment adviser.</p>
<b>Investment Objectives (2/2)</b>		
<p>To offer members sufficient investment options to reflect the different routes members can take at retirement, the Trustee offers several different Lifestyle arrangements targeting an annuity and tax-free cash, income drawdown and cash.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Currently three Lifestyle options are offered – targeting either an annuity, income drawdown or a cash lump sum at retirement.</p> <p>Where the Default options do not meet the needs of a wider cross-section of members, alternative options have been offered.</p>

**Risk**

<p>The SIP lists a number of risk factors considered by the Trustee. The Trustee monitors these risks regularly.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee continues to monitor the Plan’s investments and the associated risk. It holds formal review meetings once a quarter.</p>
<p>To mitigate “inflation risk” the Trustee offers equity-based investments which, over the long term would be expected to provide a real rate of return greater than both price inflation and earnings growth.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The MSCI World Index Fund is a large part of the default strategy. The Trustee further offers a UK Equity Index Fund and World ex-UK Equity Fund as part of the Plan’s self-select range.</p> <p>In June 2022, The Trustee, following a triennial review of the investment strategy with the help of its investment advisor, implemented the replacement of the Aquila Life 60:40 Global Equity Fund with the Aegon BlackRock MSCI World Index Fund to avoid home bias.</p>
<p>To mitigate the risk of deterioration in the exchange of accumulated funds for pension annuities (“annuity risk”) the Trustee offers a “Lifestyle” approach which automatically moves members assets into index-linked gilts, corporate bonds and cash in order to limit volatility of returns relative to the price of annuities.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee offers an “Annuity Targeting” Lifestyle as one of the three lifestyle options.</p>
<p>To minimise “investment manager risk”, the Trustee has appointed an investment manager who manages the investments on an index-tracking basis aimed at providing a return in line with the relevant market index for the asset class concerned.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>The Trustee has chosen index tracking funds, such as the MSCI World Index Fund. In June 2022, the Trustee replaced the Aquila Life (60:40) Global Equity Fund with another index tracking fund, the Aegon BlackRock MSCI World Index Fund.</p>
<p>To mitigate “lack of knowledge risk” the Trustee offers a series of “Lifestyle” investment options, which are designed to adapt automatically to members’ changing needs over their working lives as they approach their intended retirement option.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>The Trustee offers three different “Lifestyle” investment options: targeting either Cash, Income Drawdown or an Annuity.</p>

**Investment Manager Monitoring**

The Trustee receives reports from the investment manager. Through this process of regular reporting, the Trustee aims to ensure that the investment manager is carrying out its work competently and in compliance with the Act, and that the Trustee’s investment objectives are met.

Yes, the Trustee is satisfied that this policy has been followed.

Over the period, the Trustee continued to receive reports from BlackRock (investment manager). It seeks guidance and written advice from its investment advisor as appropriate.

**Realisation of Investments**

The Trustee’s policy on the realisation of investments is that members’ accounts are held in funds which can easily be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

Yes, the Trustee is satisfied that this policy has been followed.

The Plan primarily invests in liquid mandates. In June 2022, The Trustee, following a triennial review of the investment strategy with the help of its investment advisor, implemented the replacement of the Aquila Life 60:40 Global Equity Fund with the Aegon BlackRock MSCI World Index Fund. The liquidity profiles of investments were considered by the Scheme’s investment adviser as part of the triennial review conducted over the Scheme year.

**Environmental Social and Governance (“ESG”) Factors**

The Trustee requires its investment advisor to review and rate the investment manager’s credentials in managing risks arising from ESG and report this to the Trustee.

Yes, the Trustee is satisfied that this policy has been followed.

The integration of ESG into an asset manager’s investment process is considered as one of the ten key selection factors in the investment advisor’s overall assessment of a manager’s strategy.

The Trustee requires its investment advisor and investment manager to communicate new and emerging risks arising from ESG considerations.

This will continually inform the Trustee’s policy which will be reviewed periodically and kept up to date with industry practice.

Yes, the Trustee is satisfied that this policy has been followed.

The investment advisor and investment managers continue to keep the Trustee abreast of new and emerging risks arising from ESG considerations. Over the Scheme year, and following advice from their investment adviser, the Trustee implemented the addition of the BlackRock ESG Strategic Growth Fund to the Scheme’s self-select range, to cater for the growing appetite of ESG-focused investing among members.

Non-financial matters including the views of beneficiaries and members are not ordinarily taken into account in the selection, retention and realisation of investments. This stance is periodically reviewed, and if members express views in the future, the Trustee will consider these.

Yes, the Trustee is satisfied that this policy has been followed.

In the absence of member views being expressed to the contrary, the Trustee agrees this stance remains appropriate.

**Environmental Social and Governance (“ESG”) Factors (continued)**

<p>The Trustee seeks to manage financially material considerations to protect long-term returns by considering the extent to which ESG issues, including climate risk, where relevant, are integrated into the investment manager’s investment processes.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee has appointed investment managers full discretion in evaluating ESG risk, exercising voting rights and stewardship obligations.</p>
---	--	--

**Implementation (1/2)**

<p>Before investing in any manager, the Trustee obtains and considers proper written advice from its investment advisor on whether the investment is satisfactory.</p>	<p>N/A for this reporting period.</p>	<p>Over the Scheme year the Trustee implemented the addition of 4 new funds: the Aegon BlackRock MSCI World Index Fund (to replace the Aquila Life (60:40) Global Equity Fund) , the Aegon BlackRock ESG Strategic Growth Fund, the Aegon HSBC Islamic Global Equity Index and the Aegon BlackRock Emerging Markets Equity Index. Prior to agreeing this the Trustee received written advice and recommendation from its investment advisor.</p>
--	---------------------------------------	--

<p>Before investing, the Trustee will seek to understand the manager’s approach to sustainable investment (including engagement). To maintain alignment, the manager is provided with the most recent version of the SIP, which includes the Trustee’s policy on ESG.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee reached out to BlackRock to confirm that voting and engagement behaviour over the last 12 months has been in line with the SIP.</p>
---	--	--

**Implementation (2/2)**

<p>The Trustee’s manager monitoring process includes specific consideration of the suitable investment/ESG characteristics of the portfolio and manager’s engagement activities.</p> <p>Should this process reveal that a manager’s portfolio is not aligned with the Trustee’s policies, the Trustee will engage with the manager to further encourage alignment.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee monitored the performance of the investment managers on a quarterly basis, including the ESG characteristics of the portfolio and manager’s engagement activities.</p> <p>Furthermore, the investment advisor maintained a dialogue with rated managers over the period and communicated any relevant operational/process changes at the fund or company level of the investment manager to the Trustee as and when they arose.</p>
--	--	--

**Implementation (2/2) (continued)**

The Trustee reviews the costs and value for money incurred in managing the Plan’s assets annually, which includes the costs associated with portfolio turnover.

Yes, the Trustee is satisfied this policy has been followed.

The Trustee reviews the costs and value for money incurred in managing the Plan’s assets annually. This is disclosed in the annual Reports and Accounts and DC chair’s statement.

In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover for that mandate.

**Stewardship**

The Trustee expects the investment manager to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on financially material ESG issues, and using voting rights with a view to producing the best possible long-term outcomes.

Yes, the Trustee is satisfied this policy has been followed.

The Trustee has delegated the responsibility for investing the Plan’s assets in a manner consistent with the SIP to BlackRock. However, they will continue to monitor the managers on a quarterly basis – considering both the funds’ performances against their respective benchmarks and other prevailing circumstances.

As all of the funds available to members of the Plan are passively managed, BlackRock’s primary objective is to deliver performance in line with the agreed benchmarks. BlackRock’s investment decisions are therefore led by the constituent securities in the index, which are typically included for the medium to long term.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

Yes, the Trustee is satisfied this policy has been followed.

The Trustee is satisfied that BlackRock, through the work of their Investment Stewardship team, comply with the requirements in the Shareholder Rights Directive II relating to engagement with public companies and other parties in the investment ecosystem.

**Compliance with the Statement of Investment Principles**

The Trustee will monitor compliance with the SIP annually.

Yes, the Trustee is satisfied that this policy has been followed.

The SIP was last updated in August 2022 to reflect the Trustee’s view on stewardship and financially material risks such as ESG, including climate change. The Trustee reviews the SIP on annual basis and would also look to update it for significant investment strategy changes.

**Compliance with the Statement of Investment Principles (continued)**

The Trustee will obtain confirmation from the investment manager that they have complied with the SIP as supplied to them.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee was provided with voting reports relating to the period of the SIP. They will obtain and disclose these on an annual basis.
--	---	---

**Appendix**

The level of investment by the Trustee in the Sponsor, or in associated companies, must not represent more than 5% of the relevant Section’s assets.	Yes, the Trustee is satisfied that this policy has been followed.	During the reporting period, the investment holdings continue to fall within appropriate targets. The Trustee does not hold in excess of 5% of the Plan’s assets in investments related to the Employer.
--	---	--

**Voting behaviour**

**BlackRock**

***Voting***

BlackRock Investment Stewardship periodically published detailed explanations of specific key votes in “vote bulletins”. BlackRock consider these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.

As the Plan is delivered via an unbundled platform, and the investment funds are predominantly passively managed, the Trustee has no direct interaction with the underlying investment managers.

For passive investment portfolios the aim is to replicate the index. However, ESG guidelines can be taken into consideration via two key approaches:

- 1) Firstly, by selecting an index that incorporates ESG guidelines at the outset. BlackRock provides input into their methodology and product offering.
- 2) Secondly, where clients are invested across an index and in cases are unable to sell underperforming companies: engagement with companies (including proxy voting) is a key means to integrate ESG factors into investing.

The corporate governance program led by BlackRock’s Investment Stewardship team is integrated within all portfolios investing in public companies. The Investment Stewardship team acts as a central clearinghouse of BlackRock’s views across the various portfolios with holdings in individual companies and aims to present a consistent message. BlackRock determine their engagement priorities based on their observation of market developments and emerging governance themes and evolve them year on year, as necessary.



**Voting behaviour (continued)**

**BlackRock**

**Voting (continued)**

The team’s key engagement priorities include:

- Board Quality and Effectiveness.
- Strategy, Purpose, and Financial Resilience.
- Incentives Aligned with Value Creation.
- Climate and Natural Capital.
- Company Impacts on People.

<b>Fund:</b>	<b>Aegon BLK Aquila Life UK Equity Class S5</b>	<b>Aegon BLK Aquila Life World ExUK Eq Idx Class S4</b>	<b>Aegon BLK Aquila Life 60:40 Global Equity Class S6</b>	<b>Aegon BlackRock MSCI World Index</b>
Number of voteable meetings	715	1983	2610	934
Number of voting proposals	10,301	25,148	34,570	14,200
Number of proposals voted on	10,296 (99%)	23,929 (95%)	33,380 (96%)	12,409 (87%)
Votes with management	9,906 (96%)	22,270 (93%)	31,393 (94%)	11,646 (93%)
Votes against management	390 (3%)	1,659 (6%)	1,987 (5%)	763 (6%)
Abstain votes	50 (0%)	120 (0%)	153 (0%)	110 (0%)
Meetings voted at least once against management	152 (21%)	630 (31%)	756 (28%)	275 (9%)
Votes contrary to the recommendation of proxy advisor	1 (0%)	112 (0%)	112 (0%)	46 (0%)

***Voting behaviour (continued)***

***Most significant votes***

<b>Company:</b>	<b>ExxonMobil Corporation</b>
Date:	25 May 2022
Resolutions:	Report on Scenario Analysis
BlackRock Vote:	Voted for the proposal
Rationale:	BlackRock’s Investment Stewardship team supported this shareholder proposal as it believed shareholder would benefit from more fulsome information on the company’s scenario planning in relation to a range of pathways of the global energy transition.

<b>Company:</b>	<b>Netflix, Inc</b>
Date:	2 June 2022
Resolutions:	Advisory Vote to Ratify Executive Officer’s Compensation
BlackRock Vote:	Voted against the proposal
Rationale:	BlackRock had concerns about the company’s executive compensation practices, particularly the monthly flexibility for individuals to allocate any portion of their designated compensation amount toward stock options or cash. As a result, BlackRock did not support management’s say on pay proposal. BlackRock also determined to not support the re-election of Director Timothy Haley, a member of the Compensation Committee, to escalate their concern about this pay practice, which BlackRock do not believe aligns executives’ and shareholders’ long-term financial interests.

**Final Remarks**

Overall, the Trustee has demonstrated key actions for the Plan during the relevant reporting period that show how it continues to make investment decisions in line with the policies set out in the SIP.

The reporting period for this Statement covers 1 April 2022 to 31 March 2023. Any actions undertaken by the Trustee after this date will be covered in the next Statement. From a stewardship and engagement perspective, the Plan is limited in its scope to directly influence how asset managers invest and engage with underlying companies due to the range of investments they use. However, where applicable the Trustee does seek to incorporate its voting and engagement policies into its appointment terms with managers.