

# ASAHI GLASS FLUOROPOLYMERS PENSION SCHEME

## YEAR ENDED 30 NOVEMBER 2020

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### IMPLEMENTATION STATEMENTS (FORMING PART OF THE TRUSTEES' REPORT)

#### IMPLEMENTATION STATEMENT, COVERING THE SCHEME YEAR FROM 1 DECEMBER 2019 TO 30 NOVEMBER 2020 - DB SECTION

The Trustees of the Asahi Glass Fluoropolymers Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below. This Statement covers the Defined Benefit ("DB") Section of the Scheme only. References in this Implementation Statement to the Scheme refer to the DB Section unless otherwise stated.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

**This Statement uses the same headings as the Scheme's SIP dated September 2020 and should be read in conjunction with the SIP.**

#### 1. Introduction

The SIP was reviewed and updated during the Scheme Year to reflect a change to investment strategy and to incorporate wording in response to changes in the investment and disclosure regulations regarding shareholder engagement by pension schemes.

The SIP dated June 2019 applied from the start of the Scheme Year until the Trustees put in place the revised SIP dated September 2020, which applied for the rest of the Scheme Year. The Trustee considered both of these SIPs when preparing this implementation statement.

Further detail and the reasons for these changes are set out in Sections 3, 5 and 11. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following sections provide detail and commentary about how and the extent to which they did this.

The Trustees have also, in their opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Scheme's existing managers and funds over the period, as described in Section 8 below.

#### 2. Investment objectives

With the help of their Investment adviser, the Trustees are able to assess the Scheme's progress relative to its objectives, both shorter-term – being able to meet benefit payments as they fall due and moving towards a fully funded position on a technical provisions basis – and longer-term – achieving a fully funded position on a "gilts flat" basis. Given these objectives and the Scheme's overall funding position, the Trustees maintained a relatively high allocation to "growth" assets throughout the period, even though in the short term this led to a heightened level of funding volatility.

The Trustees have selected Legal & General Assurance Society as the Scheme's money purchase AVC provider, offering members with access to a range of investment options covering all the major asset classes which it believes allows members to satisfy their diversification and risk / return preferences.

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## YEAR ENDED 30 NOVEMBER 2020

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### IMPLEMENTATION STATEMENTS (FORMING PART OF THE TRUSTEES' REPORT) (CONTINUED)

#### **3. Investment strategy**

The Trustees, with the help of their advisers and in consultation with the sponsoring employer, review the Scheme's strategy in on an ongoing basis. As a result, the Trustees, consistent with their desire to gradually diversify the Scheme's investment strategy and improve its risk / return profile, made an allocation an Asset Backed Securities.

The Trustees monitor the Scheme's asset allocation from time to time. While this moved as a result of the significant market movements experienced over the Scheme Year, the Trustees undertook no rebalancing action.

#### **4. Considerations in setting the investment arrangements**

When the Trustees reviewed the Scheme's investment strategy they considered as appropriate the investment risks as set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

#### **5. Implementation of the investment arrangements**

In May 2020, in order to implement the strategic change described in Section 3 above, the Trustees appointed M&G to manage an asset-backed security mandate for the Scheme. When assessing M&G, the Trustees received information on the manager's fees, investment process and philosophy, investment team and past performance as well as the manager's approach to responsible investment and stewardship. Before investing in the proposed fund, the Trustees obtained formal written advice from their investment adviser who confirmed that the selected fund's portfolio was adequately and appropriately diversified.

The Scheme's investment adviser monitors the Scheme's investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors developments at managers and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustees invite all the Scheme's investment managers to meet and present to them on an annual basis and monitors their performance on an ongoing basis. Performance is considered in the context of the manager's benchmark and objectives. The Trustees were comfortable with all the Scheme's investment manager arrangements over the Scheme Year, given the managers' overall performance and the investment adviser's assessment of them.

The Trustees have been able to consider the fees charged by the Scheme's investment managers in light of the information provided in LCP's fee survey. On this basis, overall, the Trustees believe the investment managers provide reasonable value for money.

During the Scheme Year, Section 5 and Appendix 3 of the SIP were updated to reflect, respectively, the changes to the investment and disclosure regulations regarding shareholder engagement by pension schemes, as required by 1 October 2020 and the appointment of M&G for the asset-backed security mandate.

#### **6. Realisation of investments**

The Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows which maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

