

The Salvation Army Employees' Defined Contribution Scheme 2021 Implementation Statement

1. Purpose of this Statement

This Statement sets out how, and the extent to which, the Trustees of The Salvation Army Employees' Defined Contribution Scheme ("the Scheme") have implemented the principles set out in the Statement of Investment Principles ("SIP"). It has been prepared to comply with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. In accordance with these requirements this Statement is included as part of the Trustees' annual report and accounts and to be made freely available online.

In preparing this Statement the Trustees have taken into account published guidance from the Pensions Regulator. The first part of this Statement provides an overall review of Trustee actions, then more detail is provided on engagement and voting.

This Statement considers the Scheme year to 31 March 2021.

2. Background

The Scheme is a UK defined contribution arrangement, denominated in Sterling. The Scheme is open to new members. The monies are managed in unit funds by the investment manager and are used to provide money-purchase benefits.

The Investment Advisory Committee of The Salvation Army ("the IAC") is the investment advisor to the Trustees.

The Trustees have appointed Aviva as the investment manager. It manages funds and uses its expertise to select third party funds. Aviva is regulated by the FCA.

3. Changes to the SIP

The dates and amendments made to the SIP during the Scheme year are outlined in the table below.

Date	Main amendments
24 September 2020*	Expansion of Stewardship section and addition of sections concerning asset manager arrangements and monitoring.

**These changes were required by regulations*

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4. SIP implementation

The following section reviews the implementation of the SIP over the Scheme year.

The following assessment criteria were used to demonstrate the level of performance.

- Action completed or objective achieved.
- Action or objective partly achieved.
- Action not completed or objective not achieved.

4.1 Actions

The table below outlines the actions set out in the SIP and how, and the extent to which, these have been completed.

Action	Status	Comment
SIP is to be reviewed at least every three years.	●	The last full review of the SIP was carried out on 24 September 2020. A full review is to be carried out and completed prior to 24 September 2023.
The Trustees monitor the investment performance of the funds relative to their performance objectives on a quarterly basis.	●	Independent quarterly performance reports monitoring the performance of each fund were produced and reviewed.
The Trustees consider the continued suitability of the fund range and lifestyle strategy on an annual basis.	●	The 2021 Investment Review was prepared and reviewed. It considered the fund performance, and number and type of funds, as well as the design of the lifestyle strategy. The 2021 Value for Members Review considered the expenses of the Scheme's investment options relative to the services provided.
The Trustees will review the strategy of the default investment solution and its performance at least every three years or without delay if there is significant change to the investment policy or membership profile.	●	The 2021 Investment Review was prepared and reviewed. It considered the suitability of the default investment solution, including a review of charges.
The Trustees will review the exercising of voting rights and carrying out of engagement activities by the investment manager in relation to relevant matters including financially material considerations.	●	The 2021 Engagement Activities Report was produced and considered by the Trustees providing a summary of the investment manager's stewardship activities. In addition the investment manager was in regular attendance at Trustees' meetings.

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4.2 Objectives

The below table outlines the objectives set out in the SIP and assesses how, and the extent to which, these have been achieved.

Objective	Assessment	Reasoning
The Trustees are required to invest the Scheme assets in the best interests of the Scheme's members and beneficiaries.	●	The 2021 Investment Review concluded that the investment options available to members were appropriate.
The performance of each index-tracking fund is expected to match its benchmark while each active fund is expected to exceed its benchmark.	●	The 2021 Investment Review noted that the AP Stewart Investors Global Emerging Markets Leaders Fund had been removed from the fund range, with no other funds identified for review or removal.
The default investment solution is required to provide appropriate investment for members who do not make an investment choice, to provide inflation-beating growth with the aim of maximizing the value of retirement benefits, to gradually reduce capital risk and to invest in asset classes consistent with expected retirement benefits of lump sum and reliable regular income.	●	The 2021 Investment Review concluded that the default remains appropriate. It showed good performance and met its objectives. The charges are below the charges cap of 0.75% per annum.
The Trustees expect the investment manager and the underlying managers (of individual funds in the fund range) to have integrated Environmental, Social and Governance ("ESG") risk factors, including but not limited to consideration of climate change risk, as part of their investment analysis and decision-making processes.	●	The 2021 Engagement Activities Report considered the investment manager's policy on ESG risk factors.
The Trustees expect ownership rights (including voting and engagement rights) to be exercised by the investment manager in order to safeguard sustainable returns in the long-term.	●	The 2021 Engagement Activities Report considered the investment manager's voting and engagement behaviour. Relevant extracts from this report are shown in the sections below.
The Trustees assess the level of training they require and take appropriate action.	●	The Trustees kept themselves informed and up to date, as set out more fully in the Chair's Statement.
The Trustees endeavour to provide members with access to funds with objectives broadly consistent with The Army's Code of Ethical Practice.	●	The Trustees provide two funds: UK and International Equity Stewardship Funds, which apply a range of ethical principles, including those broadly consistent with the Code.
Trustees carry out a service provider review of the Investment Manager every 3 years.	●	A service provider review was conducted as at 19 June 2020 and concluded that Aviva continues to provide an acceptable or good level of service.

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5. Voting and engagement activities

The 2021 Engagement Activities Report considered the investment manager's engagement and voting behaviour. A summary of the results of the report is shown below, with extracts from the report shown in the next sections.

Aviva was ranked second out of 60 asset managers for its use of voting rights in 2020 by ShareAction.

Year to 31 March 2021		
Engagement and voting consideration	Aviva	Reasoning
Environmental (excluding climate change)		Has provided examples of voting with environmental considerations in mind, such as monitoring water use
Social		Has provided examples of engagement and voting with social considerations in mind, such as promoting diversity and human rights
Governance		Has provided examples of engagement voting with governance considerations in mind, such as challenging executive officers' remuneration packages
Climate change		Has provided examples of voting with climate change considerations in mind, such as alignment with Paris Agreement goals.

Alignment with Statement of Investment Principles

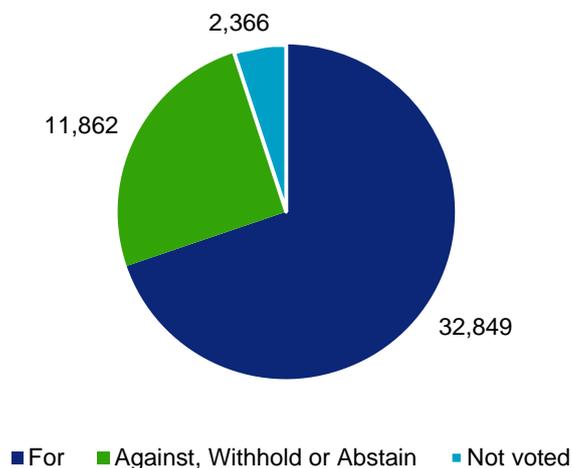
-  Policy and examples satisfactory
-  Policy or examples satisfactory, but not both
-  Policy and examples unsatisfactory

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5.1 Voting activity

The considerable extent of Aviva's voting activity for calendar year 2020 is shown below.

Number of votable items by type of vote



The default option invests mainly in the UK and USA. In these countries Aviva voted at 99.9% and 99.7% of 709 and 742 votable meetings respectively.

5.2 Stewardship structure

The table below outlines Aviva's stewardship structure for the Scheme's fund range.

Funds	Stewardship structure	Scheme's holding (%)*
Aviva (Stewardship and Property)	Aviva holds voting rights and has capacity for engagement.	0.3
BlackRock	Aviva retains voting rights and has capacity for engagement. Stock selection delegated to BlackRock.	99.2
All others	Voting and engagement activities delegated to a third party manager.	0.5

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5.3 Voting policy

The Trustees expect the Investment Manager and the underlying managers (of individual funds in the fund range) to carry out voting and engagement activities to protect and enhance the value of their shareholdings on their behalf taking into account financially material considerations including environmental, social and governance factors.

Aviva states that it votes on all its UK and most of its global holdings held in its funds managed from its London office. On remuneration consultations, Aviva indicates it will respond directly where it holds more than 1% of the stock or is a top 10 shareholder. In all other cases, Aviva will liaise internally with the fund managers and the Investment Association to find an appropriate voting decision. Aviva publishes voting records on its website.

Some third party funds benefit from Aviva voting due to how they are held, this includes the BlackRock funds within the Scheme's fund range. With respect to external managers, Aviva expects them to consider all voting opportunities as a means to influence companies to adopt sustainable business models from financial performance, environmental, social and governance perspectives. This does not mean Aviva requires asset managers to vote whenever they are able; however the external manager should assess voting options and make conscious decisions on whether, and how, to vote.

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The table below outlines the significant votes cast over the Scheme year.

ESG factor	Company	Summary of resolution	Voting decision and reasoning
Environment	Rockwool International	Assessment of environmental and community impacts from siting of manufacturing facilities, and water use	FOR – shareholders would benefit from additional disclosure on the company's policies
	Delta Air Lines	Production of a report on climate lobbying	FOR – to review how the company's position aligns with the Paris Agreement
	BHP Group PLC	Disassociation from industry groups where energy related advocacy is inconsistent with Paris Agreement Goals	FOR – to benefit shareholders by better aligning the company with its stated positions on climate change
Social	Alphabet	Establishment of a human rights risk oversight committee	FOR – to assess the company's impact on human rights and alignment with international standards on an ongoing basis
	Infineon Technologies AG	Discharge of the Management Board	AGAINST - concerns relative to the Corporate Human Rights Benchmark
	Home Depot	Production of reports on employment diversity and diversity policies	FOR – to allow shareholders to better assess the effectiveness of the company's diversity initiatives
Governance	Microsoft	Election of director	AGAINST – concerns over director's poor handling of Board and sub-committee responsibilities
	Astrazeneca PLC	Re-election of director	AGAINST – concerns over director's other time commitments
	Arch Capital	To ratify named executive officers' compensation	AGAINST – concern over generous benefits and lack of performance related pay

5.4 Proxy voting services

Aviva subscribes to a number of proxy advisory services which provide research and opinions on the state of a company's governance and corporate responsibility practices. These include the Investment Association's IVIS service and ISS, for ESG research it subscribes to EIRIS, MSCI, and Boardex. However Aviva's voting decision is only informed, and is not determined by, this research and opinion.

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6. Relevant events

The Stewart Investors Global Emerging Markets Leaders Fund was removed from the Scheme's fund range in February 2021. There have been no other changes to the investment options over the Scheme year.

The Trustees have considered the impact of COVID-19 but have determined that no changes to the Scheme were required, and that they were able to continue executing their responsibilities effectively.