

ORANGE BUSINESS SERVICES DEFINED CONTRIBUTION PENSION PLAN - IMPLEMENTATION STATEMENT

Introduction

The information in this Implementation Statement (the “Statement”) refers to the Orange Business Services Defined Contribution Pension Plan (the “Plan”). This Statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year to 31 December 2020.

This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

Investment Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are as follows:

- i. To provide members with a range of investment options to enable them to tailor their investment strategy to their needs, specifically in controlling the risks inherent in their savings. In particular, to make available vehicles which aim:
 - a. To maximise the value of members’ assets at retirement.
 - b. To maintain the purchasing power of members’ savings.
 - c. To provide protection for members’ accumulated assets in the years approaching retirement against:
 - (1) Sudden (downward) volatility in the capital value; and
 - (2) Fluctuations in the (implicit and explicit) cost of retirement benefits.
- ii. To establish a default investment option which is broadly reasonable for any member not wishing to make his/her own decisions.
- iii. To avoid over-complexity in investment in order to keep administration costs and employee understanding to a reasonable level.

Explanation of changes made to the SIP in the year to 31 December 2020

During the year to 31 December 2020 the Trustees reviewed the Plan’s SIP and a revised SIP was signed on 29 September 2020. The SIP was updated to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustees’ policies in SIP.

- How those arrangements incentivise the asset managers 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.
- How the method (and time horizon) of the evaluation of asset managers' performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

Assessment of how the policies of the SIP have been followed for the year to 31 December 2020

The information provided in the table below summarises the work undertaken by the Trustees during the year, and longer term where relevant, setting out how this work followed the Trustees' policies in the SIP.

References to the 'Delegated Investment Manager' refer to Mercer Global Investments ("MGI"). MGI manage a range of funds on behalf of the Trustees, including the Mercer Growth Fund that represents the growth phase of the Plan's default investment strategy. In practice, the Trustees have delegated some aspects of monitoring and investment oversight to MGI with respect to the assets invested with them, as set out in the table below. The Trustees then monitor actions taken by MGI within their portfolios as part of the quarterly monitoring framework.

	Requirement	Summary of policy	In the year to 31 December 2020
1	Securing compliance with the legal requirements about choosing investments	<p>"The Trustees' investment responsibilities are governed by the Plan's Trust Deed and this Statement takes full regard of its provisions. A copy of the Plan's Trust Deed is available for inspection upon request."</p> <p>"the day-to-day management of the assets [...] is delegated to professional investment managers"</p> <p><i>SIP section 1.</i></p>	<p>Over the year to 31 December 2020, the Trustees received investment advice from the investment adviser regarding the impact of Covid-19 on the Plan, including in relation to the impact on investments.</p> <p>MGI made a number of changes to the strategy included in the default in response to COVID-19, and these were communicated clearly to the Trustees at regular meetings.</p> <p>Over the year to 31 December 2020, the Trustees were required to take action in relation to two self-select funds that were either suspended (Aviva Property Fund) or closed down by the Plan's administrator (Stewart Investors Emerging Market equity strategy). The Trustees took advice from the Plan's investment advisor in each instance, and considered the impact on members of different courses of action.</p>
2	Kinds of investments to be held	<p>"The Trustees recognise that individual members have differing investment needs and that these may change during the course of their working lives. It is also recognised that members have differing attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances. Therefore one objective is to make available a range of lifestyle</p>	<p>No additions outside of the range of asset classes mentioned in the SIP were made.</p>

	Requirement	Summary of policy	In the year to 31 December 2020
		<p>strategies and self-select investment options sufficient to enable members to tailor their investment strategy to their own needs with the aim to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole."</p> <p><i>SIP section 2.1.</i></p>	
3	The balance between different kinds of investments	<p>"All the funds [offered to members] are open-ended with no set end date for the arrangement."</p> <p><i>SIP section 2.3</i></p> <p>The Trustees offer 19 Funds that members are able to invest in, across equities, fixed income, and diversified growth funds offering a range of levels of risks and returns.</p> <p>"The Trustees also offer three Lifetime Investment Programmes as investment options, each targeting a different benefit type at retirement. The aim of each programme is to protect the value of members' assets in the run up to retirement and retain their purchasing power relative to the specific type of benefit targeted by each programme."</p> <p><i>SIP Section 2.3</i></p> <p>"The "Income Drawdown Lifetime Investment Programme" is the default investment option for the Plan. The Trustees have designed the default to be in the best interest of the majority of members but recognise it will not be right for all members."</p> <p><i>SIP Section 3.</i></p>	<p>Underlying structural changes applied to the Mercer Growth fund (as part of the default investment strategy) were reflected in the other risk profiled funds available as part of the self-select fund range. These structural changes were an enhancement in implementation only and there were no changes made to the underlying strategic asset class allocations. The Delegated Investment Manager confirmed that all changes were made with consideration of improving risk-adjusted returns, considering the full range of available and implementable options and employing their best thinking.</p> <p>As part of the self-select fund range the Trustees consider the spread of assets across both growth and defensive assets. The range offers options across the risk and return spectrum, allowing members to build their own diversified portfolio should they choose to.</p> <p>The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each meeting. The performance report also includes changes to the investment adviser's manager research rating and notes any other relevant developments at the underlying investment managers. Part of the rating process is to consider risk management.</p> <p>Over the period, the Trustees monitored the performance of the Stewart Investors Emerging Market equity strategy, a self-select option for members. This was a concern, and the Trustees discussed removing this as an option for members. Aviva subsequently took the decision to close the strategy, and all member assets have now been transitioned to an alternative arrangement, supported by appropriate advice.</p>

	Requirement	Summary of policy	In the year to 31 December 2020
4	Risks, including the ways in which risks are to be measured and managed	<p>The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk.</p> <p>The Trustees have taken into consideration, on behalf of the members, the following aspects of risk:</p> <ul style="list-style-type: none"> • Inflation risk • Currency risk • Credit risk • Interest rate risk • Concentration risk • Equity, property and other price risk • Environmental, Social and Corporate Governance risk • Investment manager risk • Liquidity risk • Pension Conversion risk <p>The Trustees pay close regard to the risks which may arise from the lack of diversification of investments. The Trustees believe that the choice of funds in place provides an adequately diversified distribution of assets.</p> <p><i>SIP section 2.2</i></p>	<p>As detailed in the risk table in the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.</p> <p>All monitoring activity detailed in the SIP was undertaken, with the Trustees receiving appropriate advice where relevant at quarterly Trustee meetings, and there were no issues to report back on. No changes were made to the investment arrangements as a result of these considerations.</p>
5	Expected return on investments	In designing the default option, the Trustees have explicitly considered the trade-off between risk and	The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an

	Requirement	Summary of policy	In the year to 31 December 2020
		<p>expected returns. The default option manages investment risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.</p> <p>Each members' time to retirement will determine the balance between the different kinds of investments members hold within the lifestyle strategy. This balance will determine the expected return on members' assets and is intended to be related to the members' own risk appetites and tolerances.</p> <p><i>SIP section 3.</i></p>	<p>investment performance report presented at each meeting. The performance report also includes changes to the investment adviser's manager research rating. Highly rated active managers are considered to have an above average prospect of outperformance.</p> <p>For the funds managed by the Delegated Investment Manager, the selection of the underlying investment managers is the responsibility of the Delegated Investment Manager.</p> <p>The performance of the growth phase of the lifestyle strategies (including the main default investment strategy) is reviewed against inflation and also against equity volatility and the de-risking phase of the drawdown lifestyle is reviewed against inflation as a means of assessing the impact relative to member buying power. This analysis is included in each quarterly monitoring report.</p>
6	Realisation of investments	In general, the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The investment managers have responsibility for generating cash	The Trustees receive administration reports on a quarterly basis to ensure that core financial transactions are processed within service level agreements and regulatory timelines.

	Requirement	Summary of policy	In the year to 31 December 2020
		<p>required for benefit outgo. Likewise, the selection, retention and realisation of assets within the pooled funds are delegated to the respective Investment Managers in line with the mandates of the funds.</p> <p><i>SIP sections 3 and 4.2.</i></p> <p>The Trustees' full policies on social, environmental or ethical considerations are detailed in Section 6 of the SIP.</p>	<p>All funds are daily dealt pooled investment vehicles, accessed through an insurance contract. Over the period, the Aviva Property Fund suspended dealing as a result of the impact of COVID-19 on Property markets. The situation was monitored closely by the Trustees over the period when the Fund was suspended. As of 31 December 2020, the Fund had resumed dealing.</p> <p>The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis, with an investment performance report presented at each meeting.</p>
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	The selection, retention and realisation of assets within the pooled funds are delegated to the respective underlying fund managers in line with the mandates of the funds. Likewise, the underlying fund managers have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.	<p>The investment performance reports are reviewed by the Trustees on a quarterly basis – this includes ratings (both general and specific ESG) from the investment adviser. Most of the managers remained highly rated during the year.</p> <p>The Trustees noted that the Delegated Investment Manager has made a commitment to targeting 'Net Zero' carbon exposure within their fund range by 2050, in line with the objectives of the Paris Agreement. The Trustees noted that this will mean the growth phase of the default is 'Paris aligned'. This will be monitored closely over time to ensure decarbonisation is being implemented in line with expectations.</p> <p>In the case of the delegated funds, where managers were not highly rated by the investment adviser from an ESG perspective, the Delegated Investment Manager will engage with those managers to improve ESG practices, or replace these managers with more highly rated managers. This is in line with their Sustainable Investment Policy.</p> <p>If ratings, either general or ESG, are downgraded, the Delegated Investment Manager will look to find a suitable alternative.</p>
8	The extent (if at all) to which non-financial	Member views in respect of non-financial matters are not taken into account in the selection,	No member views related to investments were received during the Plan year. No action needed.

	Requirement	Summary of policy	In the year to 31 December 2020
	matters are taken into account in the selection, retention and realisation of investments	retention and realisation of investments, but members can make their views known to the Trustees.	
9	The exercise of the rights (including voting rights) attaching to the investments	The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Plan's investments.	<p>The exercising of voting rights is delegated to the Investment Managers.</p> <p>The Trustees have been provided with a Stewardship Report produced by the Delegated Investment Manager covering the delegated funds. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest.</p> <p>Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustees would monitor and engage with relevant persons about relevant matters)	Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Trustees review an annual stewardship monitoring report, which includes details of voting and engagement activities associate with each of the funds invested in. The Trustees can challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Plan.	<p>The Trustees reviewed a Stewardship Report produced by the Delegated Investment Manager. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest.</p> <p>Where underlying investment managers are not meeting expectations, the Delegated Investment Manager is expected to engage with these managers.</p> <p>No additional engagement activity occurs outside of this relationship.</p>

Voting Activity

The following section focuses on the voting activity of the Delegated Investment Manager that manages the funds that form the growth phase of the default investment strategy. For these funds, the Trustees have delegated their voting rights to the Delegated Investment Manager who in turn delegates this to external investment managers. The Trustees do not use the direct services of a proxy voter.

The Delegated Investment Manager includes stewardship within their Sustainable Investment Policy. In particular, the Delegated Investment Manager expects all shares to be voted on by external investment managers in a manner deemed most likely to protect and enhance long-term value for investors.

Voting and engagement activities of external investment managers are reviewed regularly, this includes: voting execution, voting rationale and engagement examples. A report has been provided to the Trustees in the form of an annual Stewardship Monitoring Report. The report summarises and comments on the stewardship activities and disclosure of the external investment managers appointed within the self-select fund range and within the Mercer Growth fund.

The Stewardship Monitoring Report provides voting statistics, together with commentary, based on manager disclosed information. It covers votes cast in four parts: a) votes against management; b) votes against proxy adviser policy (where applicable); c) abstentions; and d) no votes. The report also provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics.

For the 2020 reporting cycle, vote reporting will include a general description of voting behaviour, an explanation of the most significant votes taken, information on the use, if any, of the services of proxy advisors, and information on how votes have been cast in the general meetings of companies in which the external investment managers hold shares across equity portfolios. Engagement reporting will include examples where investment managers have engaged with companies, relating to the number of companies engaged, engagement examples by topic, engagement examples that are collaborative and any voting activity / engagement activities impacting investment decisions, where available. These engagement reviews will extend across equities as well as other asset classes (e.g. fixed income and real estate) in light of the 2020 UK Stewardship Code which calls for engagement across additional asset classes as well as equities.

2019 Summary

The overall results for this reporting period are summarised below.

Vote execution:

- Vote execution continues to be good overall (i.e. >90% of available votes). Where votes have not been cast the vast majority of managers provide a rationale (typically this relates to market-specific barriers or restrictions).

Vote disclosure:

- The level of disclosure continues to vary considerably across managers. While in some cases managers have improved in not only disclosing voting rationale at a resolution level, but including summary reporting across categories (e.g. board-related, compensation-related, environmental etc.) there are managers who have not disclosed rationale across all resolutions. It is likely that managers do have this information but have not proactively disclosed it and we will follow-up with these managers to confirm.

Engagement:

- The results on engagement activities have been relatively consistent and the Delegated Investment Manager noted an improvement in the quality of engagement disclosure from a number of managers.
- Some managers continue to provide market leading engagement reporting – typically those with an established approach to engagement and internal resources dedicated to stewardship.
- The Delegated Investment Manager found that there is still room for improvement on engagement from quant managers who could focus on calling for greater disclosure of ESG metrics and this will again be communicated. The Delegated Investment Manager also noted an improvement from a number of quant managers in this regard since the previous review.
- The Delegated Investment Manager will follow up with all external investment managers where improvements are expected in future.