



Miller Group Limited Pension Scheme Implementation Report

September 2022

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and pension schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that pension schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Miller Group Limited Pension Scheme ("the Scheme") updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The Scheme's SIP, ESG and risk management policy outlined in this document refers to the latest version of the SIP, which was updated in September 2022.

The SIP can be found online at the web address

<https://www.millerhomes.co.uk/corporate/financial/statutory-disclosures.aspx>

Changes to the SIP are detailed on the following pages.

Implementation Report

This implementation report is to provide evidence that the Miller Group Limited Pension Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 30 June 2022 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- Following a change in the corporate structure and receipt of an employer contribution over the period, the Trustees agreed to a revised investment strategy to manage the level of downside risk in line with the Scheme's longer-term objectives. The following strategy was agreed and implemented over Q2 2022 and post the end of the reporting period:
 - Global Equity, 10%
 - Diversified Growth, 10%
 - Direct Lending, 10%
 - Semi-Liquid Credit / Multi-Asset Credit, 25%
 - Corporate Bonds, 10%
 - Absolute Return Bonds (Liquid Credit), 15%
 - Liability Driven Investment, 20%

- As part of the proposed strategy, the Trustees agreed to increase the Liability Driven Investment ('LDI') hedge of the Scheme from its current target of hedging 70% to 80% of total liabilities against interest rates and inflation risk on a gilts flat basis. The hedge increase was implemented post the end of the reporting period.

Implementation Statement

This report demonstrates that Miller Group Limited Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 80% (on a flat gilts basis) of the total liabilities movements caused by changes to interest and inflation rates.	<p>The Scheme further increased its level of hedging to 80% to better protect against interest rate and inflation risk.</p> <p>This change was reflect in the SIP update which was completed post the end of the reporting period in September 2022.</p>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	<p>The investment strategy has been designed to improve the level of income generated by the asset portfolio.</p> <p>The Scheme maintains an allocation to cash to meet ongoing cashflow requirements.</p> <p>The Scheme remains in a strong cashflow position with significant liquidity within the invested assets.</p>
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	<p>The current investment strategy is designed to hedge unrewarded risks, improve the diversification of the Scheme's assets and reduce market risk.</p> <p>This strategy is reflected in the current SIP.</p>
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>To appoint investment managers who actively manage this risk by seeking</p>	The allocation to credit assets remains diversified in terms of number of managers and credit sub-asset classes, providing increased diversification of default risk.

		to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory <p>The Trustees monitor the managers on an ongoing basis.</p>	<p>This change was reflect in the SIP update which was completed post the end of the reporting period in September 2022.</p> <p>Following a review of the Scheme's equity portfolio, the Trustees agreed to invest in an ESG-focussed equity fund over the period.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<p>Hedge all currency risk on all assets that deliver a return through contractual income.</p> <p>Hedge a proportion of overseas currency risk within the equity portfolio.</p>	The overseas currency risk remains appropriate with a combination of GBP hedged and unhedged equity funds held in the equity portfolio.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intend to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	<ul style="list-style-type: none">• The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;• As part of ongoing monitoring, the Trustees will use any ESG ratings information provided by their investment consultant to assess how the Scheme's investment managers take accounts of ESG issues;• Through their investment consultant, the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.	<ul style="list-style-type: none">• The manager has not acted in accordance with their policies and frameworks.

Engagement

As the (Scheme) invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 30 June 2022.

Fund name	Engagement summary ¹	Commentary
LGIM UK Equity Index Fund	Total Engagements: 243 Environmental: 71 Social: 77 Governance: 149 Other: 31	LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.
LGIM North America Equity Index Fund - GBP Currency Hedged	Total Engagements: 216 Environmental: 112 Social: 90 Governance: 114 Other: 35	LGIM have not provided examples of Fund-specific significant engagements.
LGIM Europe (ex UK) Equity Index Fund - GBP Currency Hedged	Total Engagements: 118 Environmental: 71 Social: 36 Governance: 49 Other: 14	
LGIM Japan Equity Index Fund - GBP Currency Hedged	Total Engagements: 76 Environmental: 57 Social: 14 Governance: 29 Other: 10	
LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	Total Engagements: 65 Environmental: 43 Social: 14 Governance: 30 Other: 6	

<p>LGIM World Emerging Markets Equity Index Fund</p>	<p>Total Engagements: 89 Environmental: 56 Social: 32 Governance: 32 Other: 17</p>	
<p>LGIM Future World Global Equity Index Fund</p>	<p>Total Engagements: 529 Environmental: 232 Social: 195 Governance: 283 Other: 83</p>	
<p>BlackRock Diversified Growth Fund</p>	<p>Total Engagements: 926 Environmental: 575 Social: 337 Governance: 800</p>	<p>BlackRock engage with their companies through their Investment Stewardship team in order to provide feedback and inform their voting decisions. These engagements largely relate to the Fund's equity positions only, which comprised c.30% of the overall portfolio as at 30 June 2022.</p> <p>Examples of significant engagements include:</p> <p>Johnson & Johnson - BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance issues they believe drive long-term shareholder value. These include, among others, the oversight and risk management of company products, human capital management, social risks and opportunities, sustainability disclosures, and board quality and effectiveness. BIS has recently engaged with the company on several occasions, including with the Lead Independent Director, to discuss the topic of access to medicine.</p> <p>JNJ faces ongoing risks due to litigation and media scrutiny associated with allegations of product safety associated with the company's talc-related</p>

		<p>baby powder, the company's role in the opioid crisis, as well as the company's ongoing efforts in developing and rolling out the Covid-19 vaccine. BIS has discussed these topics with the company in depth and continues to feel that the risk oversight function of the board and management is currently sound.</p>
<p>Apollo Semi-Liquid Credit Fund</p>	<p>Total Engagements: 116 Broad based ESG: 35 Environmental: 9 Governance: 23 Social: 3</p>	<p>Apollo have a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports and Key Performance Indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors.</p> <p>Examples of significant engagements include:</p> <p>Ecopetrol SA – Apollo engaged with the company on the underlying ESG themes of Governance and Environment. More specifically, Apollo engaged on the governance of the company at board level in addition to efforts to reduce flaring and spending on alternative energy. As a result of Apollo's engagements, the company have committed \$1.4bn to furthering their ESG efforts, developing their own renewable power sources and a board that is now made up of 80% of independent members.</p>
<p>CQS – Multi Asset Credit Fund</p>	<p>Total Engagements: 112 Environmental, Social, Governance & Climate: 4</p>	<p>CQS have a clear and robust due diligence process and investment framework. CQS develop strong engagement and</p>

	<p>Environmental, Social & Governance: 72</p> <p>Environmental, Social & Climate: 1</p> <p>Environmental & Social: 5</p> <p>Environmental & Climate: 1</p> <p>Environmental & Governance: 2</p> <p>Social & Governance: 2</p> <p>Governance & Climate: 1</p> <p>Environmental: 14</p> <p>Social: 5</p> <p>Governance: 2</p> <p>Climate: 3</p>	<p>communication with the management teams of the portfolio companies in which they invest and in turn bring about positive ESG related change.</p> <p>An example of a significant engagement includes:</p> <p>Jaguar Land Rover Automotive (“JLR”) – CQS engaged with the company on numerous ESG initiatives. During the engagement, CQS were informed that JLR had recently hired a head of ESG who will report directly into a board member responsible for sustainability. JLR also have plans to expand the ESG from the current two people to 10-20 people throughout the organisation by involving the purchasing/supplier teams as well as other divisions. CQS also pushed management for a timeline on disclosing more emission data (particularly Scope 3 and CO2/mile) and JLR revealed that there would be an announcement on the initiation of SBTi (Science based targets initiatives) disclosures. CQS believe that the company have the necessary plans in place to drive ESG improvements within the business and will continue to monitor for any future developments.</p>
<p>Partners Group Direct Lending – PMCS 2018</p>	<p>Total Engagements: 4</p> <p>Corporate: 3</p> <p>General ESG: 1</p>	<p>Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as lenders they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the</p>

		<p>information available to assess ESG risks.</p> <p>An example of a significant engagement includes:</p> <p>hinkproject – Partners Group engaged with the company to discuss their first ESG margin ratchet report. Partners Group were satisfied with the company’s reported achievements, of which included an increase in the share of green purchased electricity by greater than 50%, and subsequently reduced the company’s interest rate by 1.25bps.</p>
<p>LGIM AAA-AA-A Corporate Bond Over 15 Year Index Fund</p>	<p>Total Engagements: 54</p> <p>Environmental: 41</p> <p>Social: 12</p> <p>Governance: 28</p> <p>Other: 8</p>	<p>LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engage with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.</p>
<p>LGIM Absolute Return Bond Fund</p>	<p>Total Engagements: 122</p> <p>Environmental: 76</p> <p>Social: 32</p> <p>Governance: 56</p> <p>Other: 24</p>	
<p>LGIM Liability Driven Investment</p>	<p>LGIM have engaged with a number of industry participants on long term strategic issues in relation to LDI, including:</p> <ul style="list-style-type: none"> - The introduction of central clearing - The LIBOR transition - Recognising the pricing issues with bilateral RPI swaps <p>LGIM also assess counterparty banks from an</p>	

	ESG perspective through their proprietary ESG tools.
LGIM Cash	Total Engagements: 30 Environmental: 25 Social: 5 Governance: 14 Other: 1

Notes: ¹ For some managers, total engagements do not sum up, as a number of engagements are related to a combination of E,S and G issues.

Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 30 June 2022. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM UK Equity Index Fund	<p>Meetings eligible to vote for: 776</p> <p>Resolutions eligible to vote for: 10,901</p> <p>Resolutions voted for: 100.0%</p> <p>Resolutions voted with management: 93.9%</p> <p>Resolutions voted against management: 6.10%</p> <p>Resolutions abstained from: 0.0%</p>	<p>BP Plc – LGIM voted in favour of approving a Net Zero Report. LGIM's expectation is for companies to have a credible transition strategy which aligns with the Paris Agreement. LGIM acknowledge the company's efforts thus far and will continue to engage with the company on their Net Zero strategies and implementation.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.</p>
LGIM North America Equity Index Fund - GBP Currency Hedged	<p>Meetings eligible to vote for: 664</p> <p>Resolutions eligible to vote for: 8,375</p> <p>Resolutions voted for: 99.4%</p> <p>Resolutions voted with management: 65.7%</p> <p>Resolutions voted against management: 34.3%</p> <p>Resolutions abstained from: 0.1%</p>	<p>Microsoft Corporation – As part of their commitment to improving independence in the underlying companies in which they invest, LGIM voted against the election of Satya Nadella as Director. The rationale, to ensure the roles of CEO and Chair are kept separate as part of risk management and oversight.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.</p>

<p>LGIM Europe (ex UK) Equity Index Fund - GBP Currency Hedged</p>	<p>Meetings eligible to vote for: 604</p> <p>Resolutions eligible to vote for: 10,254</p> <p>Resolutions voted for: 99.8%</p> <p>Resolutions voted with management: 81.4%</p> <p>Resolutions voted against management: 18.1%</p> <p>Resolutions abstained from: 0.5%</p>	<p>TotalEnergies SE – LGIM voted against a resolution to approve the company's Sustainability and Climate Transition Plan. LGIM acknowledged the company's progress on climate so far however the short term growth plan is absent of further detail on how such plans are consistent with the 1.5C temperature reduction target.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.</p>
<p>LGIM Japan Equity Index Fund - GBP Currency Hedged</p>	<p>Meetings eligible to vote for: 508</p> <p>Resolutions eligible to vote for: 6,293</p> <p>Resolutions voted for: 100.0%</p> <p>Resolutions voted with management: 88.4%</p> <p>Resolutions voted against management: 11.6%</p> <p>Resolutions abstained from: 0.0%</p>	<p>Mitsubishi Corp – LGIM voted in support of a resolution for the company to disclose greenhouse gas emission reduction targets which align with the goals of the Paris Agreement. LGIM expects sufficient action to be taken by companies on matters regarding climate change and encourage the company to make further steps.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.</p>
<p>LGIM Asia Pacific (ex Japan) Developed Equity Index Fund</p>	<p>Meetings eligible to vote for: 702</p> <p>Resolutions eligible to vote for: 5,314</p> <p>Resolutions voted for: 99.9%</p> <p>Resolutions voted with management: 76.9%</p> <p>Resolutions voted against management: 23.1%</p> <p>Resolutions abstained from: 0.0%</p>	<p>Rio Tinto – LGIM voted in favour of a resolution to approve the Company's Climate Action Plan as part of LGIM's commitment to driving climate efforts. LGIM recognised the progress made by the company in strengthening its operation emissions reductions targets by 2030 in addition to the commitment for substantial capital allocation linked to decarbonisation. LGIM remain concerned however over quantifiable targets for scope 3 emissions and will continue to monitor progress on this area.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.</p>

<p>LGIM World Emerging Markets Equity Index Fund</p>	<p>Meetings eligible to vote for: 4,176</p> <p>Resolutions eligible to vote for: 35,160</p> <p>Resolutions voted for: 100.0%</p> <p>Resolutions voted with management: 78.8%</p> <p>Resolutions voted against management: 18.9%</p> <p>Resolutions abstained from: 2.3%</p>	<p>Housing Development Finance Corporation Limited – LGIM voted against a resolution to approve the Company’s Financial Statements and Statutory reports as part of LGIM’s commitment to driving climate effort. LGIM deemed that the Company did not meet the minimum standards with regards to climate risk management and disclosures within the statements and reports. LGIM consider this vote to be significant as it is applied under the LGIM ‘Climate Impact Pledge’.</p>	<p>LGIM’s Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.</p>
<p>LGIM Future World Global Equity Index</p>	<p>Meetings eligible to vote for: 4,750</p> <p>Resolutions eligible to vote for: 51,471</p> <p>Resolutions voted for: 99.8%</p> <p>Resolutions voted with management: 80.5%</p> <p>Resolutions voted against management: 18.6%</p> <p>Resolutions abstained from: 0.9%</p>	<p>Apple Inc – LGIM voted in favour of a resolution proposing a Report on Civil Rights Audit. LGIM voted in favour of the resolution as part of their commitment to improving diversity and inclusion policies across portfolio companies. LGIM view diversity and inclusion as a material risk and as such will continue to support resolutions on this theme.</p>	<p>LGIM’s Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.</p>
<p>BlackRock Diversified Growth Fund</p>	<p>Resolutions eligible to vote for: 13,141</p> <p>Resolutions voted for: 94.9%</p> <p>Resolutions voted with management: 94.5%</p> <p>Resolutions voted against management: 5.6%</p>	<p>Exxon Mobil Corporation – BlackRock voted in favour of a resolution which proposed a Report on Scenario Analysis consistent with the aim to achieve the Net Zero emissions target by 2050. BlackRock’s rationale for this vote was that they believe greater disclosure would be in the best interests of the shareholders to have access to greater disclosure on this issue.</p>	<p>BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.</p>

