

The Salvation Army Employees' Defined Contribution Scheme 2022 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 2022.

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
14 October 2021	Removal of the Stewart Investors Global Emerging Markets Leaders Fund from the Scheme's fund range

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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. An interim SIP review was carried out on 14 October 2021. 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 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Investment Review concluded that no funds were 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 2022 Investment Review concluded that the default remains appropriate. It showed good performance and met its objectives. The charges are below the charge 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 2022 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 2022 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 2022 Value for Members Review considered the assessment of Trustee Knowledge and Understanding and training undertaken.
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 Equity Income 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 2022 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 seventh out of 65 asset managers for its use of voting rights in 2021 by ShareAction.

Year to 31 March 2022		
Engagement and voting consideration	Aviva	Reasoning
Environmental (excluding climate change)		Has provided examples of voting with environmental considerations in mind, such as monitoring plastic 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

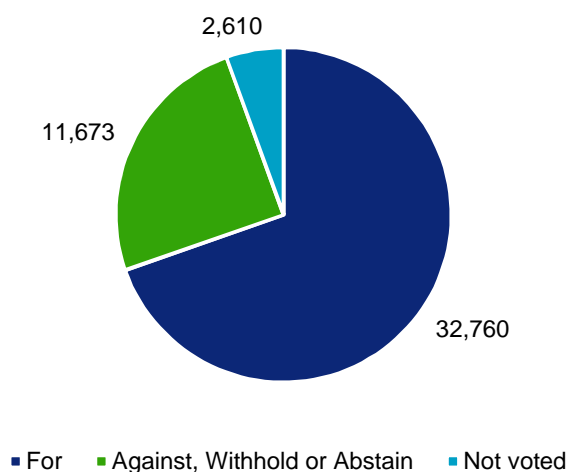
-  Policy and examples satisfactory
-  Policy or examples satisfactory, but not both
-  Policy and examples unsatisfactory

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5.1 Voting activity

The considerable extent of Aviva's voting activity for calendar year 2021 is shown below.

Number of votable items by type of vote



The default option invests mainly in both the UK and USA. In both these countries Aviva voted at 99.7% of 729 and 708 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.	99.5
All others	Voting and engagement activities delegated to a third party manager.	0.2

*as at 31 March 2022

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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 indicated that it will respond directly where it holds more than 1% of the stock or it 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.

Aviva has an in house Global Responsible Investment (GRI) team that provides analysis to investment teams and collaborates with the investment teams on engagement cases and voting decisions. Voting decisions are started with discussions between members of the GRI team and the relevant fund managers who bring their knowledge and assessment of company strategy and special circumstances to this debate.

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.

Aviva will recall shares on loan through stock lending for the purposes of exercising voting rights where there is a good reason to do so and when this is considered to be in the best interests of clients.

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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	Exxon Mobil	Report on corporate climate lobbying aligned with the Paris Agreement	FOR – Shareholders would likely benefit from seeing a review of how the company and its trade associations' lobbying positions align with the Agreement
	Exxon Mobil	Report on costs and benefits of environmental-related expenditures	AGAINST – The report was not deemed to add any value
	T Rowe Price	Report on and assess proxy voting policies in relation to climate change	FOR – Reporting and assessment of the company's proxy voting policies and practices on climate change related issues would benefit shareholders as it would provide a better understanding on the company's policy positions on climate change
	DuPont de Nemours	Report on plastic pollution	FOR – Aviva believes shareholders would benefit from additional information on how the company is reducing the amount of plastic materials discharged into the environment and effectively managing this risk
Social	Microsoft	Report on gender/social pay gap	FOR – Aviva believes shareholders could benefit from the report as it would allow them to monitor the progress of the its diversity and inclusion initiatives
	Tesla	Report on diversity and inclusion efforts at the company	FOR – The report would allow shareholders to better assess the effectiveness of the company's diversity, equity and inclusion efforts and management of related risks
	McDonald's	Report on antibiotics used in the company's supply chain and the related public health costs	FOR – Antimicrobial resistance could prompt the next global health crisis
Governance	Mastercard	Ratify executive officers' compensation	AGAINST – Aviva were concerned over the lack of performance related pay and inappropriate discretionary payments, poor performance linkage, and the pay ratio between CEO and employees being excessive

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	Microsoft	Election of director	AGAINST – Aviva were concerned over poor handling of Board and sub-committee responsibilities, and the individual's other time commitments
	American Tower	Reduce ownership threshold to call a special meeting from 25% to 10%	FOR – This resolution would give shareholders more power and increase the board and management's accountability

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

There have been no changes to the investment options over the Scheme year.

The Trustees have continued to consider 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.