

Annual Implementation Statement – For Scheme Year Ending 31 December 2021

Army and Air Force Exchange Service United Kingdom Area Exchange Managed Pension Plan

Introduction

This document is the Annual Implementation Statement, as required by the UK Government, under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulation 2013, as amended and guidance published by The Pensions Regulator (TPR).

The regulations require that the Trustees of the Exchange Pension Scheme disclose any actions taken by the Trustees and how these actions adhere to the Exchange's Statement of Investment Principles (SIP) for the benefit of the Exchange's UK employees.

This is the Exchange's Implementation Statement the Trustees has prepared and covers the year ending 31 December 2021.

<https://publicaffairs-sme.com/applmyexchange/wp-content/uploads/2021/08/United-Kingdom-Area-Exchange-Managed-Pension-Plan-Implementation-Statement-2020.pdf>

SIP Objectives and Disclosure of Changes

The SIP was reviewed by the Trustees on December 8, 2021, which was followed by a review of the Scheme's investment consultant and actuary. From the review, the following changes to the SIP will be reflected and published in March 2022.

Section 1.8 Plan Details	Revised language to reflect the date in which contracting ceased.
Section 4.5 Rates of Return	Added table for asset class and return assumptions as of year ending December 31, 2021.
Section 4.9 and 4.10 Financially Material Considerations	Revised language to explicitly mention climate consideration.
Section 7.4 Manager Monitoring and the Trustee's Policy	Revised language to cover requirements resulting from the UK's Implementation of the Shareholder's Right Directive II.
Section A	Added name of the Scheme's actuary.

As of the year ending December 31, 2021, no changes to the investment manager, BlackRock, or asset allocation to portfolio which remains at 80% Gilts or 20% Equities.

A copy of the SIP can be found at <https://publicaffairs-sme.com/applmyexchange/wp-content/uploads/2020/10/2019-08-AAFES-UK-Statement-of-Investment-Principles.pdf>

Scheme's Investment Summary of Voting Behavior for the year ending 31st December 2021

The Scheme's investments are comprised of the following BlackRock funds:

- Aquila Life UK Equity Index Fund
- Aquila Life World (excl. UK) Equity Index Fund
- Aquila Life Currency Hedged World (excl. UK) Equity Index Fund
- iShares Emerging Markets Index Fund (IE) Aggregate
- Aquila Life All Stocks UK Index-Linked Gilt Index Fund
- Aquila Life Over 25 Years Gilt Index Fund

Given the nature of the investment portfolio, pooled funds, the Trustees do not have any legal right to votes (no proxy votes) under the arrangements nor does BlackRock authorize or ask clients to provide feedback and/or direction on the voting of pooled funds. The Trustees accepts it has limited influence on the investment managers and are satisfied that the investment manager has an explicit strategy clarifying the circumstances in which they will intervene in a company.

There are over 16,000 shareholder meetings in 85 markets each year with targeted 100% voting to take place on behalf of their clients by BlackRock Investment Stewardship (BIS). The BIS team confers regularly with their equity and credit analysts/portfolio managers to share insight to their pre-vote engagements, research and set of circumstances surrounding a particular company.

As fiduciary manager, BlackRock exercises their duty and responsibility to protect and enhance the value of their clients' assets and vote in alignment of the clients' long-term interest. BlackRock's governance and voting guidelines help assist in the decision-making process, however, on occasions, there may be a compelling reason to divert from those guidelines. If there are any concerns with a company's approach to corporate governance and/or business practice(s), to include ESG (and climate change) related, voting against company management or with a shareholder proposal may occur. Maintaining shareholder interests and engagement with company's management on governance or business practices is a critical function to ensuring company's directors are held accountable when shareholder interests are not in alignment.

The Trustees believe that the Scheme has adhered to the policies set forth in its SIP over the course of the year ending 31 December 2021. The Trustees will continue to work closely with their investment consultant and investment manager, Wilshire and BlackRock, respectively, in providing annual status updates to the Scheme, reporting on stewardship and voting behavior.

Engagement Activities for the year ending 31st December 2021.

Scheme Valuation	A full valuation was conducted by Willis Towers Watson and completed in 2021. The results were reviewed by the Trustees with Willis Towers Watson at the Trustee meeting held on November 17, 2021.
Contribution Rate	The Trustees discussed at the Trustee meeting held on November 17, 2021. A motion was made and passed to approve an increase in the

	contribute rate of pensionable salaries from 33% in 2021 to 44% in 2022.
Discretionary COLA Pension Increase – Pre-1997	The Trustees discussed at the Trustee meeting held on November 17, 2021. A discretionary increase of 3.0% was approved out of session on February 1, 2022.
Discretionary COLA Pension Increase – Post 2005	The Trustees discussed at the Trustee meeting held on November 17, 2021. A discretionary increase of 0.6% was approved out of session on February 1, 2022.