

## Implementation Statement for the Year to 31 December 2021

### Rockwool Limited Pension Scheme (the “Scheme”)

#### Introduction

This statement describes the voting and engagement policies of the Trustee of the Scheme (the “Trustee”) along with a summary of voting and engagement behaviour related to the Scheme’s investments over the 12-month period to 31 December 2021.

This Implementation Statement is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles (the “SIP”). This report details:

- Actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP;
- The current policy and approach with regards to Environmental, Social and Governance (“ESG”) factors and the actions taken with managers on managing ESG risks; and
- The extent to which the Trustee 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 which they invest.

#### Summary of key actions undertaken over the Scheme reporting year

- The Trustee’s policy on managing interest rate and inflation risk was updated to reflect the inception of a new Liability-Driven Investment mandate in June 2021. This was implemented by replacing the Scheme’s holdings in index-linked Gilts with a pooled Liability-Driven Investment fund provided by LGIM on the Mobius Life platform. The balancing assets from the proceeds of the sale were invested across the Scheme’s return-seeking portfolio.
- The Scheme’s expected return was updated to reflect the implementation of the new Liability-Driven Investment mandate.

#### Implementation Statement

This report demonstrates that the Scheme has adhered to its investment principles and its policies for managing financially-material considerations including ESG factors and climate change.

## Managing risks

A non-exhaustive list of risks and financially-material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated in the table below.

Risk / Policy	Definition	Policy	Actions
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring employer's covenant strength.  Investing in a diversified portfolio of assets.	There have been no changes to the policy over the reporting year.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	Funding risk is considered as part of the investment strategy review and the actuarial valuation.  The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.	There have been no changes to the policy over the reporting year.
Covenant	The risk that the sponsoring employer's becomes unable to continue providing the required financial support to the Scheme.	When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.	There have been no changes to the policy over the reporting year.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy. The key risks and how they are managed are stated in the table below.

Risk / Policy	Definition	Policy	Actions
Interest Rates and Inflation	The risk of mismatch between the value of the Scheme's assets and the present value of liabilities from changes in interest rates and inflation expectations.	To protect the Scheme against changes to interest rates and market-implied inflation, the Trustee has implemented a Liability-Driven Investment strategy.	<p>The Trustee introduced a Liability-Driven Investment mandate to the Scheme, replicating the hedging provided by the Scheme's prior allocation to index-linked Gilts, with the agreement 7 support of the sponsoring employer.</p> <p>This policy was updated by the Trustee as part of the update to the SIP carried out in August 2021.</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).	There have been no changes to the policy over the reporting year.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where affordable and practical.	<p>There have been no changes to the policy over the reporting year.</p> <p>The Trustee regularly reviews the performance of the managers and have concluded the allocation remains appropriate.</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 select investment managers on the platform who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.</p>	There have been no changes to the policy over the reporting year.

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 select managers on the Mobius platform who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> <li>5. UN PRI Signatory</li> </ol> <p>The Trustee monitors the managers on an ongoing basis.</p>	<p>ESG actions undertaken:</p> <p>More details of the ESG policy and how it was implemented are presented later in this report.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk.	There have been no changes to the policy over the reporting year.
Non-Financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention, or realisation of investments.	There have been no changes to the policy over the reporting year.

## Implementing the current ESG policy and approach

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

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

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights.	<p>The Trustee's investment managers provide information via the Mobius Life platform providers on how they have engaged with issuers regarding social, environmental and corporate governance issues.</p> <p>The Trustee receives information from its investment advisers and/or Mobius Life on the investment managers' approaches to engagement.</p>	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustee's policies in this area.</p>

## Engagement and voting

Please refer to the Mobius ESG Report dated 31 December 2021 for a summary of the engagement and voting activity for the 12 months to 31 December 2021.