

British Board of Agrément Pension and Life Assurance Scheme

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 22 September 2020 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 April 2021 to 31 March 2022.

Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
Global equities	FTSE RAFI ALL-World 3000 Equity Index Fund	30%
Multi-asset income	LGIM Retirement Income Multi Asset Fund	40%
LDI solution	LGIM Matching Core Funds	30%
Cash	LGIM Sterling Liquidity Fund	
Total		100%

Strategy Review

There have been no changes to the investment managers or target asset allocation over the year.

Scheme Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone, as the Trustees' investment consultant.

There were no changes to the objectives put in place for Broadstone which were last reviewed in November 2019. The Trustees are due to formally review these objectives by November 2022, or earlier.

There were no changes to the investment management agreement with LGIM during the year.

Statement of Investment Principles

The Trustees last reviewed the Statement of Investment Principles (SIP) in September 2020, which was updated to take account of the updated investment strategy.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year.

Policy on financially and non-financially material considerations

Trustees' Policy: *The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact in the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can and will have a material financial impact on the returns provided by those assets.*

The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustees have an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on its assets.

The Trustees do not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time.

The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks.

The Trustees will continue to monitor market developments in this area with their investment adviser.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out above, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

The Trustees have access to updates on governance and engagement activities by LGIM, and input from Broadstone on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to LGIM, given they are investing in pooled funds.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Global equities	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the investment manager to take ESG considerations into account by engaging with companies that form the index, and by exercising voting rights on these companies.
Multi-asset income	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its investment manager to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
LDI	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Cash	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Policy on the exercise of voting rights and engagement activities

Trustees' Policy: *Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly.*

The Investment Manager provides, on request, information to the Trustees on its actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to LGIM, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence LGIM.

LGIM sets their own voting policy and will often engage with investee companies directly.

The Trustees have delegated engagement activities to LGIM, and LGIM report to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by LGIM from 1 April 2021 to 31 March 2022 on behalf of the Trustees (where the investment owns equities) is provided in the table below. The analysis is based on the latest information available from LGIM.

Fund	Third Party Proxy Policy Used	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
LGIM Retirement Income Multi Asset Fund	No – in house but cast votes using ISS	105,480	80%	19%	1%
LGIM RAFI Global Reduced Carbon Pathway Equity Index Fund*	No – in house but cast votes using ISS	43,749	80%	19%	1%

*Formerly known as the LGIM FTSE RAFI All World 3000 Equity Index Fund

A notable engagement activity of the investment manager is provided below:

- **LGIM** put forward a shareholder proposal to Moderna requesting that the company publicly disclose how its receipt of government financial support for the development and manufacture of a COVID-19 vaccine is being considered when making decisions that affect access to such products, such as setting prices. The company is contesting the inclusion of the proposal on its agenda at the 2022 Annual General Meeting and have indicated that they will publish such a report prior to the Annual General Meeting. LGIM are currently engaging with the company.

The Trustees are comfortable with LGIM's approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustees also consider LGIM's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of the investment manager or their approach, and direct engagement with investment manager (as detailed above), the Trustees receive performance reports on a quarterly basis from LGIM, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed:

Date: 20/10/2022

On behalf of the Trustees of the British Board of Agrément Pension and Life Assurance Scheme