

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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statements of Investment Principles (SIPs) dated September 2020 and June 2023 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2022 to 31 March 2023.

Investment Objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives as at the year-end are set out on page 2 of the SIPs and are as follows:

- To adhere to the provisions contained within the Scheme's Statement of Funding Principles.
- To acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Principal Employer, the cost of the benefits which the Scheme provides, as set out in the Trust Deed and Rules.
- To limit the risk of the assets failing to meet the Technical Provisions over the longer term, by considering the Scheme's liability profile when setting the asset allocation policy.
- To minimise the long-term costs of the Scheme by optimising the return on the assets whilst having regard to the objectives shown above.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the overall funding objective.

Review of the SIP

The SIP was last reviewed in June 2023, after the period covered by this Implementation Statement. In particular, the Trustees updated the SIP to reflect changes in the Scheme's investment strategy that were made during the Scheme year.

Prior to this, the SIP had last been updated in September 2020 to take account of earlier changes that were previously made to the investment strategy prior to the period covered by this Implementation Statement.

The Trustees have a policy on financially material considerations relating to Environment, 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 later in this Statement and are detailed in the Trustees' SIPs. The Trustees' policy on engagement and voting rights was updated in the SIP that came in to force after the year end, though the other policies did not change in the revised SIP.

Investment managers and funds in use

At the start of the year, the Trustees' investment strategy was as shown in the below table. This reflected the SIP in force during the year.

Asset Class	Fund	Target Asset Allocation
Equity	LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund*	30%
Multi-asset income	LGIM Retirement Income Multi-Asset Fund	40%
LDI solution	LGIM Matching Core Funds	30%
	LGIM Sterling Liquidity Fund	
Total		100%

*This fund was previously known as the LGIM FTSE RAFI AW 3000 Equity Index Fund, as shown in the September 2020 SIP.

During the year, the Trustees implemented a revised investment strategy (over two stages), which is shown in the table below. This investment strategy is reflected in the SIP dated June 2023. The key changes to the strategy were the removal of the growth asset (equity and multi-asset) allocation and introduction of LGIM corporate bonds, held on a 'buy and maintain' basis.

Asset Class	Fund	Target Asset Allocation
Corporate bonds	LGIM Maturing Buy & Maintain Credit Funds	40%
LDI Solution	LGIM Matching Core Funds	60%
	LGIM Sterling Liquidity Fund	
Total		100%

Investment Governance

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

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP, as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were reviewed by the Trustees in December 2022. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

Trustees' Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIPs dated September 2020 and June 2023 (reflecting the investment strategy in force at the end of the year) have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.</p> <p>The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.</p> <p>The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.</p>	No deviation from this policy over the year to 31 March 2023.
Balance of Investments	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.</p>	No deviation from this policy over the year to 31 March 2023.

Requirement	Policy	Implementation of Policy
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the Scheme's assets to a professional investment manager and will not be involved in the buying or selling of investments.	No deviation from this policy over the year to 31 March 2023.
Realising Investments	The Trustees make disinvestments from the Investment Manager with the assistance of their administrators and investment adviser as necessary, to meet the Scheme's cashflow requirements.	No deviation from this policy over the year to 31 March 2023.
Maintaining the Target Asset Allocation and Target Hedge	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees will monitor the asset allocation and hedging ratios on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the asset allocation or hedging ratios move significantly away from the Target Asset Allocation or Target Hedging Ratios.	<p>No deviation from this policy over the year to 31 March 2023.</p> <p>However, the Scheme's target asset allocation and target hedging ratios against interest rate and inflation risks did change over the year. The revised targets are reflected in the June 2023 SIP.</p> <p>The level of hedging exposure was broadly in line with its target as at the year end.</p>

Requirement	Policy	Implementation of Policy
Performance Benchmarks and Objectives	<p>The equity fund is an index-tracking fund, meaning that its objective is to track the total return on a specified market index within an agreed margin over a specified timescale.</p> <p>The multi-asset income fund is actively managed, and the investment manager has been set a performance objective to achieve returns in line with, or in excess of, a benchmark return.</p> <p>The corporate bond fund is managed on a buy and maintain basis, and the investment manager has an objective to deliver a return over and above comparable gilts from a diversified portfolio of corporate bonds, whilst minimising the risk of default losses.</p> <p>The cash fund aims to provide a cash-like return, comparable with its Sterling Overnight Index Average (SONIA) benchmark.</p> <p>The leveraged LDI funds have an objective to provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate and inflation risks. The practical method of implementing this level of hedging is delegated to LGIM, with the expectation that LGIM will choose the most cost-effective method.</p>	<p>The performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2023.</p>
Investment Management Charges	<p>The investment management charges of the funds used are set out on page 5 of the SIPs.</p>	<p>Charges were paid as expected over the year to 31 March 2023.</p>
Financially and Non-Financially Material Considerations	<p>The Trustees' policy on financially and non-financially material considerations is set out on page 8 of the SIPs and in full below.</p>	<p>No deviation from this policy over the year to 31 March 2023 (see below).</p>

Requirement	Policy	Implementation of Policy
Engagement and Voting Rights	<p>September 2020 SIP Policy</p> <p>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.</p> <p>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.</p> <p>June 2023 SIP Policy</p> <p>The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy, and aiming to improve how companies behave in the medium and long term, is in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting its assets from the Investment Manager.</p> <p>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.</p>	<p>No deviation from the policy of either SIP in force over the year to 31 March 2023.</p>

Requirement	Policy	Implementation of Policy
Additional Voluntary Contributions (AVCs)	The Scheme holds funds accumulated in respect of AVCs separately from the assets backing defined benefits, with Utmost Life & Pensions and the Prudential Assurance Society.	No deviation from this policy over the year to 31 March 2023.

Financially and non-financially material considerations

The Trustees recognise that ESG issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to 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 Manager. The Trustees have an expectation that the Investment Manager 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 the associated assets.

The Trustees' views on how ESG issues are taken account of in each asset class used over the year is set out below:

Asset Class	Actively or Passive Managed?	Comments
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	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 Trustees also expect their investment manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.

Asset Class	Actively or Passive Managed?	Comments
Corporate bonds	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 Trustees also expect their investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets 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.

The Trustees do not currently impose any specific restrictions on the Investment Manager 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.

Voting rights and engagement activities

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

However, the Trustees periodically meet with LGIM to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches LGIM manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their investment manager on these matters where they think this is in the best interests of members.

Out of the funds held by the Trustees during the year, the LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund and the LGIM Retirement Income Multi-Asset Fund contain publicly listed equity holdings. These funds have voting rights attached to the underlying equities held within the funds, and the Trustees have delegated these voting rights to the manager, where the manager sets its own voting policy. A summary of the votes made by LGIM from 1 April 2022 to 31 March 2023 on behalf of the Trustees for each fund used by the Scheme during the year that includes voting rights was requested from LGIM. The Trustees requested that LGIM provides voting data broken down into Environmental, Social and Governance categories. However, LGIM have advised that the data is not yet available in this format. The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
LGIM	RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund	39,774	79%	20%	1%
LGIM	Retirement Income Multi-Asset Fund	104,586	78%	21%	1%

All of the Scheme's assets are invested in pooled funds. LGIM do not use a proxy-voting service and voting is performed in-house.

The Scheme was no longer invested in any funds which held voting rights on the underlying assets at the year end.

Significant votes

The Trustees have requested details of the significant votes made on their behalf by the manager. In determining significant votes, the manager's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believes the following is the most significant vote undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE	
Investment Manager	LGIM
Company	Royal Dutch Shell Plc
Date of vote	24 May 2022
Resolution	Resolution to Approve Shell Energy Transition Progress
Why significant	LGIM remain concerned of the company's disclosed plans for oil and gas production as it is important for companies, especially those in the oil and gas sector, to set a clear and credible climate transition strategy.
Voting decision	Voted Against
Manager comments	<i>"LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote."</i>
Vote outcome	Resolution Passed

Engagement activities

The Trustees have also delegated engagement activities to the investment manager. A notable engagement activity of the investment manager is provided below:

- LGIM's** Investment Stewardship and Climate Solutions teams spoke directly with the management of Capricorn, a smaller-scale oil and gas company who announced their intention to merge with other energy companies in 2022, which had raised some concerns about the company's governance and decision-making process. LGIM voiced their concerns about the first proposed transaction to African-based Tullow Oil, as it did not seem to advance the energy transition strategy for Capricorn's shareholders, in light of the increased exposure to oil prices and geographical risks. Additionally, LGIM believed that such a merger would have resulted in increased financial leverage and dramatically elevate climate transition risks. In further conversations with Capricorn, LGIM asked detailed questions about the process they had gone through in terms of deciding on this merger and whether other alternatives were considered. Nevertheless, despite mounting opposition from LGIM and other shareholders, Capricorn and Tullow initially proceeded with the merger before a decision was taken by Capricorn to abandon it, citing concerns about market conditions and external factors as the reason.

A second merger proposal with NewMed, an Israeli-based natural gas producer, was met with rising suspicion and even less support than the first. LGIM met again with Capricorn to voice their concerns. As a result of these unpopular proposals Palliser Capital, a key shareholder of Capricorn, called an Extraordinary General Meeting in January 2023 for shareholders to vote on a complete overhaul of the Capricorn Board of Directors.

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

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with the investment managers (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.

Signe

Date: 24/10/2023

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