

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 Trustees' Statements of Investment Principles (SIPs) dated June 2023 and November 2024, which reflects the Scheme's investment strategy in place as at the end of the Scheme year, 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 2024 to 31 March 2025.

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 are set out on page 4 of the November 2024 SIP and are as follows:

- To adhere to the provisions contained within the Scheme's Statement of Funding Principles.
- To acquire suitable assets of appropriately liquid 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.

These objectives do not differ from the objectives in place as at the start of the Scheme year, which are reflected in the June 2023 SIP.

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 long-term funding objective.

Review of the SIPs

The SIP was last reviewed in November 2024. 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 June 2023 to take account of previous changes made to the Scheme's 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 later in this Statement and are detailed in the Trustees' latest SIP.

The Trustees' policies on financially material considerations and engagement and voting activities were not updated in the revised SIP coming into force during the year, with the exception that the Trustees' views on how ESG considerations should be accounted for in the different asset classes used were made explicit in the revised SIP. The Trustees' policy on non-financially material considerations was also updated to be made explicit in the revised SIP that came into force during the year.

Investment managers and funds in use

The Trustees' investment strategy for the Scheme as at the start of the year was as shown in the below table, which is reflected in the June 2023 SIP.

Asset Class	Fund	Target Asset Allocation
Corporate bonds	L&G Buy and Maintain Credit Fund	40.0%
Liability Driven Investment ('LDI') solution	L&G Matching Core Funds	60.0%
	L&G Sterling Liquidity Fund	
Total		100.0%

During the year, the Trustees revised the Scheme's investment strategy to reintroduce a growth asset allocation to increase expected returns and help meet cashflow requirements (via introducing an income-generating 'self-sufficiency credit' solution). The Trustees also revised the Scheme's hedging exposures with the aim of implementing a target hedging level of 100% of the interest rate risk and inflation risk associated with the Scheme's funded Technical Provisions liabilities.

The Trustees' investment strategy in place as at the end of the year is as shown in the table below, and is reflected in the November 2024 SIP.

Asset Class	Fund	Target Asset Allocation
Multi-asset income	L&G Retirement Income Multi-Asset Fund	10.0%
Self-sufficiency credit	L&G Self-Sufficiency Credit Funds	70.0% ± 10.0%
LDI solution	L&G Matching Core Funds	20.0% ± 10.0%
	L&G Sterling Liquidity Fund	
Total		100.0%

Additionally, Legal & General Investment Management ('LGIM') rebranded to Legal & General – Asset Management ('L&G') towards the end of the Scheme year. This change is not reflected in the SIPs, but is reflected in this Statement and will be reflected in the SIP when the Trustees next revise it.

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 last 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.

Monitoring of investment arrangements

In addition to any reviews of Investment Managers or approaches, and direct engagement with the Investment Managers (as detailed below), the Trustees receive performance reports on a quarterly basis from L&G, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Trustees' policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's June 2023 SIP, in force at the start of the year, and November 2024 SIP, reflecting the Scheme's investment strategy as at the year end, as applicable, have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	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. 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. 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. 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. 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.	No deviation from this policy over the year to 31 March 2025.
Balance of Investments	The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives. 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.	No deviation from this policy over the year to 31 March 2025. The Trustees' target investment strategy allocations as at the year end are reflected in the November 2024 SIP.
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 2025.

Requirement	Policy	Implementation of Policy
Maintaining the Target Asset Allocation and Target Hedging Ratios	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.	No deviation from this policy over the year to 31 March 2025. The asset allocation and level of hedging exposure provided by the assets at the year end were broadly in line with their targets and are reflected in the November 2024 SIP.
Realising Investments	The Trustees make disinvestments from the Investment Manager with the assistance of their administrators, Broadstone Consultants & Actuaries Limited, and investment adviser, Broadstone, as necessary, to meet the Scheme's cashflow requirements.	No deviation from this policy over the year to 31 March 2025.
Performance Benchmarks and Objectives	The multi asset-income fund used during part of the year is actively managed, and the Investment Manager has been set performance objectives to achieve returns in line with, or in excess of, a market benchmark. The 'buy and maintain' corporate bond fund used during part of the year is actively managed, and has an objective to capture the yield on a diversified portfolio of predominantly investment grade corporate bonds, whilst minimising the risk of default losses. The fund does not have a formal benchmark. The cash fund aims to provide a cash-like return, comparable with its Sterling Overnight Index Average (SONIA) benchmark. The self-sufficiency credit and 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 risk and inflation risk. The practical method of implementing this level of hedging is delegated to the LDI manager, with the expectation that L&G will choose the most cost-effective method. The self-sufficiency credit funds have an additional objective to generate quarterly cashflows to pay the benefits of a notional pension scheme with liabilities of a similar nature and duration to the Scheme, as they fall due.	The funds' performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2025. There were no changes to the funds' performance benchmarks and objectives over the year.

Requirement	Policy	Implementation of Policy
Investment Management Charges	The annual investment management charges of the funds used during the Scheme year are set out on page 5 of the June 2023 SIP and page 12 of the November 2024 SIP, and are as follows: - L&G Retirement Income Multi-Asset Fund: 0.350% - L&G Buy and Maintain Credit Fund: 0.150% - L&G Self-Sufficiency Credit Funds*: 0.180% - L&G Matching Core Funds: 0.180% - L&G Sterling Liquidity Fund: 0.125% In addition, L&G charge a flat administration fee of £1,000 per annum. *Discounted from 0.200% p.a. until further notice.	There were no changes to the funds' investment management charges over the year to 31 March 2025. The charges payable as at the year end are reflected in the November 2024 SIP.
Financially and Non-Financially Material Considerations	The Trustees' policy on financially and non-financially material considerations is set out on page 8 of the June 2023 SIP and page 7 of the November 2024 SIP, and in full below.	No deviation from this policy over the year to 31 March 2025 (see below).
Engagement and Voting Rights	The Trustees' voting and engagement policy is to use their investments to improve the ESG 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 their assets from the Investment Manager. 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.	No deviation from this policy over the year to 31 March 2025 (see below).
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 2025.

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 during the Scheme year are set out below.

Asset Class	Active/Passive	Trustees' Views
Multi-asset income, corporate bonds	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds 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.
Self-sufficiency credit	Active	These funds consist primarily of a mix of corporate bonds and hedging assets. With respect to the corporate bonds, the Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect the Investment Manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights. With respect to the other hedging assets, these consist of government bonds 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 these asset classes because of the nature of the securities.
LDI funds	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.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Manager, when exercising discretion in investment decision-making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

Voting rights

The Trustees currently invest in pooled investment funds with the Investment Manager, and they acknowledge that this limits their ability to directly influence the Investment Manager. In particular, all voting activities have been delegated to L&G, as the Trustees are unable to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

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

Out of the funds held by the Trustees over the year, the L&G Retirement Income Multi-Asset Fund contains publicly listed equity holdings. This fund has voting rights attached to the underlying equities held within the fund, 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 L&G from 1 April 2024 to 31 March 2025 on behalf of the Trustees for this fund was requested from L&G. It was requested that L&G provide voting data broken down into Environmental, Social, and Governance categories. However, L&G advised that the data is not yet available in this format. The breakdown of this data will continue to be requested in future periods. The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
L&G	Retirement Income Multi-Asset Fund	105,952	77%	22%	1%

At the year end, all of the Scheme's assets were invested in pooled funds. Regarding proxy voting, L&G do not use a proxy voting service to determine their voting policy, which is formed in-house. L&G do, however, use Institutional Shareholders' Service's (ISS's) Proxy Exchange voting platform to vote on resolutions electronically.

Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by L&G. In determining significant votes, L&G's Investment Stewardship team take 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 the manager notes a significant increase in requests from clients on a particular vote;
- Sanction votes as a result of a direct or collaborative engagement;
- Votes linked to any manager engagement campaign, for example in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following is an example of a significant vote undertaken on their behalf over the Scheme year:

Significant Vote	
Investment Manager	L&G
Company	Microsoft Corporation
Date of vote	10 December 2024
Percentage of portfolio invested in Company at date of vote	L&G Retirement Income Multi-Asset Fund: 0.3%
Resolution	Report on Artificial Intelligence (AI) Data Sourcing Accountability
Why significant	L&G consider this shareholder resolution to be significant due to the relatively high level of support received.
Voting decision	Voted For
Manager comments	<i>"A vote for this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models."</i>
Vote outcome	Resolution Failed

Engagement activities

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

- **L&G** engaged with Colgate-Palmolive, an American multinational consumer products company, focusing on the company's deforestation approach as well as challenges and opportunities in meeting their deforestation management commitments. L&G met with the company's Chief Sustainability Officer, and explored how the company is ensuring supplier compliance and increased traceability across commodities in their supply chain, as well as the suitability of the company's escalation procedures for non-compliance.

L&G also sought to encourage increased oversight from the Board of Directors, and prioritisation of the issue of deforestation within the company's risk management agenda. L&G noted that the company have demonstrated progress in appreciating responsible sourcing as a critical issue, whilst building relationships and furthering engagement with their suppliers and ending relationships with those found to be non-compliant. L&G note that, overall, the company meets their minimum expectations on deforestation management.

L&G note that Colgate-Palmolive have introduced satellite imaging for monitoring purposes, and are undertaking the complex process of mapping palm oil derivatives. L&G also note that the frequency of Board-level updates on deforestation has increased.

L&G will further engage with the company in 2025, with a focus on traceability progress across key commodities, along with collaborative efforts with their peers to eliminate net deforestation. L&G will also look to further discuss the company's work on mapping and addressing deforestation risks in their supply chain.

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

Signed:

Date:

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