

BPT Retirement Benefits 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' Statement of Investment Principles (SIP) dated 27 January 2022 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 with 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 July 2022 to 30 June 2023.

Investment objectives of the Scheme

Funding Objective

The primary funding objective of the Fund is to ensure that the scheme is fully funded using assumptions that contain an appropriate margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Principal Employer.

Investment Objectives

The Trustee's high-level objectives with regard to investing the Scheme's assets are to:

- Ensure that the Scheme is fully funded using assumptions that contain an appropriate margin for prudence.
- To monitor the absolute level and stability of contributions required when setting the investment strategy of the Scheme; and
- To endeavour to improve the funding position of the Scheme and in turn the asset coverage of member's benefits.

Performance Objective

The Investment Manager has set their own benchmarks and the Trustees expect each investment manager to consistently outperform the benchmarks over rolling three-year periods.

Stewardship policy

The Trustees stewardship policy, as set out in the SIP is as follows.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their Investment Manager to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to Broadstone where appropriate) assesses the stewardship and engagement activity of their Investment Manager.

Review of the SIP

The SIP was last reviewed in September 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 implemented just prior to the Scheme year end.

Previously, the Trustees reviewed the Statement of Investment Principles (SIP) in January 2022, 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 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 SIP. 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.

Review of the Investment Strategy

The most recent Investment Strategy review of the Fund was carried out in May 2023 with the aim of de-risking the portfolio.

Rathbones Investment Management Limited (Rathbones') were instructed to liquidate the existing portfolio, with the exception of any sterling investment grade corporate bonds and gilts which the Manager deemed appropriate to maintain in the portfolio, given the new mandate. This was implemented just prior to the Scheme year end.

Investment managers and funds in use

The Trustees have appointed Rathbones as the Scheme's investment manager, who manages the Scheme's assets on a segregated basis.

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

Asset Class	Target Allocation	Allocation Range
Growth Assets	40%	25% - 55%
Equities	35%	20% - 50%
Alternatives	5%	0% - 5%
Matching Assets	60%	45% - 75%
Bonds	55%	40% - 70%
Alternatives	5%	0% - 5%
Cash	0%	0% - 5%
Total	100.0%	

At the end of the year, the Trustees implemented a revised investment strategy, which is shown in the table below. This investment strategy is reflected in the SIP dated September 2023. The key changes to the strategy were the removal of the growth asset allocation.

Asset Class	Target Allocation
Gilt and Corporate Bond Hedge Portfolio	82.3%
Cash Portfolio	17.7%
Total	100.0%

The balance between fixed interest gilts, index-linked gilts and corporate bonds will vary over time. The target is indicative only and the underlying objective for these assets will be to maintain the target hedging levels, which protect against changes in long-term interest rates and inflation expectations.

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.

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

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

Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	<p>The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect their Investment Manager, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees assess the ESG integration capability of their Investment Manager.</p> <p>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 their Investment Managers, 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. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.</p>	No deviation from this policy over the year to 30 June 2023 (see below)
Voting Rights and Engagement	<p>The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their Investment Manager to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of their Investment Manager.</p>	No deviation from this policy over the year to 30 June 2023 (see below)

Financially and non-financially material considerations

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 below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the investment manager, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing an investment manager.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment manager.

The Trustees invest across a range of asset classes and styles. The Trustees expect the investment manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

A summary of the Trustees' views for each asset class in which the Scheme invested during the year is outlined below:

Asset Class	Actively or Passively Managed?	Comments
Equities	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the portfolio 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 its investee companies on ESG issues in order to promote sustainable long term investment returns. This is done by exercising any voting rights attached to the equity investments and engaging directly with investee companies.
Bonds	Active	<p>With regards to corporate bonds, the Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the portfolio 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.</p> <p>With regards to government bonds, 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.</p>
Alternatives	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the portfolio 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 its investee companies on ESG issues in order to promote sustainable long term investment returns. This is done by exercising any voting rights attached to the alternative investments and engaging directly with investee companies.
Cash	Passive	The Trustees believe there is limited scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the investment.

Voting rights and engagement activities

The Trustees currently invest in a segregated investment mandate with the investment manager. All voting activities have been delegated to the investment manager, as the Trustees do not have any legal right to vote on the underlying holdings. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the Investment Manager to influence what they believe to be the most significant votes.

However, the Trustees periodically meet with Rathbones, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches it manages 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.

To complement this monitoring, the Trustees have access to stewardship and governance reports from Rathbones which are produced on an annual basis. Within the investment arrangements in place for the majority of the year, the underlying equity holdings had voting rights attached to them.

The investment manager uses the voting policy of a third-party proxy voter when exercising voting rights and will often engage with investee companies directly. The third-party proxy voter used is confirmed in the table below.

The Trustees have delegated engagement activities to their investment manager, and Rathbones reports annually on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by Rathbones from 1 July 2022 to 30 June 2023 on behalf of the Trustees is provided in the table below.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Resolutions Voted On	Total Resolutions Voted:		
				For	Against	Abstained
Rathbones*	Segregated	ISS	25,025	94.5%	6.6%	1.7%

*The latest data provided by Rathbones was for the period 1 July 2022 to 30 June 2023. Rathbones give individual fund managers the option to vote differently on certain agenda items and often end up with 'split votes'. The proxy advisor, ISS, counts split votes twice, but the percentages are calculated with the number of proposals voted in the denominator (which treats a split vote as one vote). Therefore, the total sum does not add up to 100%.

Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the Investment Manager. In determining significant votes, the Investment Manager will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has 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 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 engagement campaign, in line with Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following represents the most significant vote undertaken on their behalf over the scheme year:

Significant Vote 1 – Rathbones	
Company	BP
Date	27 April 2023
% of portfolio invested in firm	1.60%
Resolution	Approve Shareholder Resolution on Climate Change Targets
Why significant	While the proposal did not pass, it signalled to the board that a significant portion of its shareholders expect stronger alignment between BP's ambitions on climate change and the goal of 1.5°C.
How voted	VOTED FOR (against management)
Manager Comments	“We supported a shareholder resolution calling on the energy company BP to commit to absolute cuts in carbon emissions to make its operations compatible with the Paris Agreement, which aims to limit global warming to 1.5°C. We attended BP's AGM to communicate this decision to the board in person. We are concerned that the company's short, medium and long-term targets don't align with the agreement. Among other details, the company's commitment to “not seek to explore in countries where we do not already have upstream activities” still gives the company plenty to opportunity to find new oil and gas fields, which isn't compatible with the Paris Agreement. Seventeen percent of shareholders supported the resolution.”
Vote outcome	16.7% for

Engagement activities

The notable engagement activities of the Investment Manager over the last 12 months is provided below:

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

- Rathbones** teamed up with ChemSec and Aviva Investors in September 2022 to engage with 54 large chemicals companies around the world. Rathbones engaged with the companies to significantly increase their efforts to phase out harmful persistent chemicals, replacing them with more sustainable alternatives. Rathbones, with other investors, signed letters asking target companies to increase transparency by publishing the list of hazardous chemicals that they manufacture, and publish a phase-out plan, including deadlines for persistent chemicals. They also requested that the companies worked to improve their ranking in the annual chemicals footprint survey ChemScore. Rathbone plans to engage with these companies over a number of years, but enjoyed an early win in December 2022, where US chemicals company 3M pledged that it would stop manufacturing persistent chemicals by 2025. They were the fifth company out of the 54 targeted to make phase-out commitments after engaging with Rathbones.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. The investment manager will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2021 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from 1 to 5 Stars, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Manager are outlined in the table below:

Manager	UNPRI Score
Rathbones	4 / 5
<i>Median</i>	3 / 5

The Trustee also considers an investment managers' policies on stewardship and engagement when selecting and reviewing an investment manager.

Monitoring of Investment Arrangements

In addition to any review of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a regular basis from Rathbones to ensure the investment objectives set out in their SIP are being met.

Signed: 

Date: 14 November 2023

On behalf of the Trustees of the BPT Retirement Benefits Scheme