

# 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 September 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 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 2023 to 30 June 2024.

### 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 Objectives as set out in the Statement of Funding Principles.

The Trustees' primary objectives are:

- "funding objective" – 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;
- "stability objective" – to monitor the absolute level and stability of contributions required when setting the investment strategy of the Scheme; and
- "security objective" – to endeavour to improve the funding position of the Scheme and in turn the asset coverage of members' benefits.

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

The Trustees also recognise that it may be necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

### Review of the SIP and Investment Strategy

The SIP was last reviewed in August 2024, after the period covered by this Implementation Statement. The Trustees updated the SIP to reflect the purchase of a bulk annuity policy from Aviva Life & Pensions UK Limited ("Aviva"), in June 2024.

Previously, the Trustees reviewed the SIP in September 2023, to take account of changes that were made to the investment strategy just prior to the period covered by this Implementation Statement. The September 2023 SIP includes the investment strategy changes that were implemented after the investment strategy review that occurred in May 2023. The aim of the review and implemented strategy was to de-risk the portfolio and to

invest the Scheme's assets with the objective of performing more in line with the movement of insurer annuity pricing.

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 they deemed appropriate to maintain in the portfolio, given the new mandate. This was implemented just prior to the previous Scheme year end and was in force for the majority of this Scheme year.

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.

## Investment Managers

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

At the start of the year, the Trustees' investment strategy was as shown in the table below. This investment strategy is reflected in the SIP dated September 2023.

Asset Class	Target Asset Allocation (based at 31 March 2023)
Gilt and Corporate Bond Hedge Portfolio	82.3%
Cash Portfolio	17.7%
<b>Total</b>	<b>100.0%</b>

The balance between the asset classes varied over the Scheme year as the primary objective of the investment strategy was to provide certain nominal and real gilt yield exposure to better match the characteristics of the liabilities (on a solvency basis).

At the end of the year, the Trustees implemented a revised investment strategy, which is shown in the table below. This investment strategy reflects the Trustees purchase of a bulk annuity policy from Aviva in June 2024. The contract is held in the Scheme's name and is an asset of the Scheme. As the insurance company, Aviva will guarantee the Scheme's ongoing cash flow needs for future benefit payments as projected for the participants and agreed in the contract.

At the date of the bulk annuity transaction, the value of the Scheme's assets was greater than the premium payable to Aviva. The Scheme retained the surplus assets in a segregated cash portfolio with Rathbones. The asset allocation at the end of the reporting period for the Scheme is as follows:

Asset Class	Asset Allocation (30 June 2024)
Bulk Annuity Insurance Policy	76%
Cash Portfolio	24%
<b>Total</b>	<b>100.0%</b>

The balance between the insurance policy and the cash portfolio will vary over time and will not be rebalanced.

## 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 advisor.

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment advisor, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations. 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. These objectives were last reviewed by the Trustees in December 2022 and are due to be reviewed again in December 2025.

## Trustee Policies

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

Policy	Implementation of Policy
<b>Selection of Investments</b>  The Trustees will invest in a range of assets. Consisting of bonds, other matching assets and cash, traded in the UK and overseas. Within the categories of investment permitted by the Trustees, the Investment Manager can purchase any new investments, as long as they do not breach the provision of the fund management agreement. The Investment Manager will report all investment activity, income receipts and payments made from the fund in their regular reports to the Trustees.	No deviation from this policy over the year to 30 June 2024
<b>Target Asset Allocation</b>  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 30 June 2024
<b>Delegation to Investment Managers</b>  The Trustees rely on professional investment managers for the day-to-day management of the majority of the Scheme's assets and have delegated discretion in relation to most day-to-day decisions. The investment managers have been provided with a copy of this statement and have been instructed to take into account its contents so far as is practicable, however to the extent that the assets are	No deviation from this policy over the year to 30 June 2024

	invested in pooled funds, it is up to the Trustees to monitor whether those pooled funds remain appropriate for the Scheme.	
<b>Maintaining the Target Asset Allocation and Target Hedging Ratios</b>	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 monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation or Target Hedging Ratios. Maintaining the Target Hedge Ratios will take precedence over maintaining the Target Asset Allocation.	No deviation from this policy over the year to 30 June 2024
<b>Employer Related Investments</b>	The Trustee's policy is not to hold any employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.	No deviation from this policy over the year to 30 June 2024

Requirement	Policy	Implementation of Policy
<b>Financially Material Considerations</b>	<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 its 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 its Investment Manager.</p> <p>Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustee expects the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.</p> <p>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 on request from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.</p> <p>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.</p>	No deviation from this policy over the year to 30 June 2024
<b>Non-Financially Material Considerations</b>	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	No deviation from this policy over the year to 30 June 2024
<b>Voting Rights and Engagement</b>	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	No deviation from this policy over the year to 30 June 2024

	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 will protect and enhance the value of their investments and 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 manager.	
<b>Capital Structure of Underlying Companies</b>	Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.	No deviation from this policy over the year to 30 June 2024

## Financially material considerations

The Trustees note that how financially material ESG factors will be taken into account in a segregated mandate will depend on the underlying asset classes and the management style of any investments (e.g. active or passive).

Asset Class	Actively or Passively Managed?	Comments
<b>Corporate Bonds</b>	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 their investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
<b>Government Bonds</b>	Passive	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.
<b>Cash</b>	Active	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.
<b>Insurance Policies</b>	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 investment. However voting rights, where possible, are expected to be exercised by the insurer in line with their general voting policies.

The Trustees are satisfied that the Scheme's investments are managed in accordance with their views on financially material considerations, as set out above, and 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 considered 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 managers.

## Voting rights and engagement activities

Over the Scheme year, the underlying assets held by Rathbones are not expected to have attracted voting rights given the fixed income nature of the investments. Similarly, within the current investment arrangements at year end, the underlying assets held by Aviva in respect of the bulk annuity policy are not expected to attract voting rights. The assets held within the Rathbones cash portfolio also do not typically attract voting rights.

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

- **Rathbones** engaged with Barclays due to concern about the company's alignment with the Paris Agreement's 1.5°C target. Despite Barclays' efforts to reduce fossil fuel financing, research by ShareAction indicated that the bank's policies were insufficient. In the autumn of 2023, Rathbones initiated discussions with ShareAction and other investors to file a shareholder resolution for Barclays' 2024 AGM, aiming to halt funding for new oil and gas projects. By late November, Rathbones co-filed the resolution with 18 other investors. Barclays responded by negotiating with the co-filers, leading to the publication of a new energy policy in February 2024. This policy committed Barclays to stop financing new oil and gas projects and related infrastructure, and to limit financing to new energy clients whose capital expenditure on oil and gas expansion was below 10%. Rathbones played a crucial role in these negotiations, ensuring significant concessions from Barclays. However, Rathbones and its fellow co-filers remain vigilant, expressing concerns over the policy's fine print. They have committed to closely monitoring Barclays' implementation and are prepared to escalate their engagement if necessary.
- **Rathbones** raised concerns about the high base salary of Unilever's incoming CEO, Hein Schumacher, which was 18.5% higher than his predecessor's. They felt the increase should have been gradual, considering Schumacher's limited experience in sectors crucial to Unilever. Rathbones decided to vote against the remuneration report and communicated their concerns in a detailed letter to the board chair. The shareholder opposition to the pay arrangements secured 58% of the vote, the second largest against a remuneration report in the 2023 UK AGM season. As significant shareholders, Rathbones was invited to discuss their vote with the remuneration committee chair. Following these discussions, in August 2023, Unilever decided to freeze the CEO's base salary for the next two years, with the next review in 2026. Rathbones' active engagement played a key role in this decision, demonstrating their commitment to responsible investment practices.

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 2023 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

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

Manager	UNPRI Score
Rathbones	★★★★
Aviva	★★★★★
<i>Median</i>	★★★

The Trustees also consider an investment manager's 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 the investment manager (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: 07.11.24

On behalf of the Trustees of the BPT Retirement Benefits Scheme