

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 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 27 January 2022 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 July 2021 to 30 June 2022.

Investment manager and asset classes in use

The Trustees have appointed Rathbone Investment Management Limited ('Rathbones') as the Scheme's investment manager, who manages the Scheme's assets on a segregated basis.

| 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% | |

Strategy Review

At the start of the year, the target allocations of the Scheme's assets were: 50% equities and 50% bonds, both with allowed allocation ranges of 35%-65%, with a 0%-5% allowable allocation to cash. During the year, the Trustees updated the investment strategy. This strategy update was implemented following the results of the 2019 actuarial valuation. The strategy was also updated at this time to increase diversification of the Scheme's portfolio through the adding-in of alternative investments.

Scheme Governance

The Trustee board is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), who are authorised and regulated by the Financial Conduct Authority.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

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

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

Statement of Investment Principles

The Trustees last reviewed the Statement of Investment Principles (SIP) in January 2022 which was updated to include the changes to the investment strategy during the year.

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.

Policy on financially and non-financially material ESG considerations

Trustees' Policy: *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 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 (delegating to Broadstone where appropriate) assess the ESG integration capability of their investment manager.*

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 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. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

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 by the investment manager will depend on the underlying asset classes within segregated mandates and the management style used (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.

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 investment managers.

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

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 |
|--------------|--------------------------------|--|
| 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 | 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: *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) assess the stewardship and engagement activity of their investment managers.*

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 the investment manager, as the Trustees do not have any legal right to vote on the underlying holdings.

However, the Trustees periodically meet with their investment manager, 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 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 current investment arrangements, the underlying equity holdings have 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 January 2021 to 31 December 2021 on behalf of the Trustees is provided in the table below. The analysis is based on the latest information available from the investment manager.

| Manager | Pooled or Segregated? | Third Party Proxy Voter | Resolutions Voted On | Resolutions Voted: | | |
|------------------|-----------------------|-------------------------|----------------------|--------------------|---------|-----------|
| | | | | For | Against | Abstained |
| Rathbones | Segregated | ISS | 9,348 | 96% | 3% | 1% |

The voting activity set out above is presented at the company level, rather than being scheme or fund specific. The Trustees will work with their investment manager to obtain more detailed fund-specific voting information in future years.

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


- **Rathbones** supported a shareholder resolution requesting that the board of Booking Holdings begin to issue annual climate transition reports. It is Rathbones' view that companies' assumptions surrounding climate-related events are likely to have material risks in relation to company strategy, cashflows and asset valuation. The resolution passed successfully, and Booking Holdings' reporting standards now align with widely accepted best-practice. Rathbones plans to engage further with Booking Holdings to receive updates on the progress of this report.

The Trustees are comfortable with the investment manager'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 an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any review of investment manager or approaches, and direct engagement with 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: 4 November 2022

On behalf of the Trustees of the BPT Retirement Benefits Scheme