

The BW Plan

Implementation statement

Year ending 31 March 2023



Section 1: Introduction

This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustee of the BW Plan (“the Plan”) covering the scheme year to 31 March 2023 (“the year”).

The purpose of this statement is to:

- Detail any reviews of the Statement of Investment Principles (“SIP”) the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
- Set out the extent to which, in the opinion of the Trustee, the Plan’s SIP, required under section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it), has been followed during the year
- Describe the voting behaviour by, or on behalf of, the Trustee over the year (including most significant votes) and state any use of services of a proxy voter during that year.

A copy of this implementation statement will be made available on the following website alongside the Plan’s SIP:

<https://yourbwpension.co.uk/Your-scheme-documents/>

In summary, the Trustee considers that all SIP policies and principles were adhered to over the year.

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated during the year, with the relevant versions over the year:

- 1 September 2020 – This was the version in place as at the start of the year.
- 2 June 2022 – This revised version of the SIP was adopted in June 2022 and is the most recent version of the document formally adopted by the Trustee and published on the website.

Updates to the Plan's SIP in June 2022 were:

- To add that the Trustee has appointed an independent third-party Performance Measurer;
- An update to the liquidation of the Henderson Indirect Property Fund (Europe);
- Further information on the bulk transfer of the DC assets to the Aegon Master Trust, outlining that members do currently have the option to transfer their DC benefits back into the Plan on retirement; and
- Confirmation that all the Plan's investment managers are signatories to the UN PRI (Principles for Responsible Investing).

We note that following the Plan year end, the SIP is undergoing a review to reflect the updated investment strategy agreed as part of the investment strategy review conducted in the first half of 2023. Updates are expected to be finalised during July 2023.

Section 3: Adherence to the SIP

Overall, the Trustee believes the policies outlined in the SIP have been adhered to during the year. In this section we set out how this has been achieved.

Plan’s objectives and long-term policy

The Trustee has identified objectives for the Plan which are outlined in section 3 of the SIP. These include:

- a) The acquisition of suitable assets of appropriate liquidity which will generate income and an element of capital growth to meet, together with funding contributions from the Employer, the cost of accrued benefits which the Plan provides.
- b) To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter-term basis.
- c) To minimise the long-term costs of the Plan by generating return on the assets albeit the primary objective is to minimise the risks referred to in b.
- d) The Trustee aims to buy-out the Plan at some point in the next 5-10 years with the long-term journey plan being ratified and formalised during H1 2023.

The investment policy is structured to support these objectives. To achieve this, the Trustee has an established journey plan for targeting these objectives, which includes adjustments to the strategic asset weights once certain funding goals are reached.

The Trustee regularly considers the strategic weights of its assets to ensure that the liquidity, expected return and risk is in line with Plan’s objectives. The table below outlines the Trustee’s approach to monitoring the Plan’s objectives and the actions undertaken during the Plan year.

SIP Policy Area	Approach	Actions
Monitoring of the Plan’s objectives and long-term policies	<ul style="list-style-type: none"> • The Trustee conducts investment strategy reviews at least triennially and receives investment advice on an ongoing basis to assess the suitability of the Plan’s portfolio. Quarterly performance monitoring is also considered when assessing the suitability of the Plan’s portfolio. 	<ul style="list-style-type: none"> • The Trustee monitors progress against the long-term objective of achieving a buy-out funding position. As part of the investment strategy review, the expected timeframe to reach this target was adjusted to June 2028 which will be reflected in the upcoming SIP review. • In April 2021, the Plan agreed to a de-risking framework to capture market opportunities, which is monitored closely on a daily basis by Asset Liability Suite (ALS) to automatically inform the Trustee if a trigger is close to being hit, or has been hit.

- The investment advisor has monitored these triggers around this objective on behalf of the Trustee
 - During Q3 2022, following a funding level trigger being hit, the Trustee implemented a planned de-risk from its equity allocation.
 - In September 2022, in order to ensure sufficient capital was available within the LDI portfolio to effectively manage the Plan's interest rates and inflation hedge, a new investment strategy was adopted. This strategy was to hold 36.5% in a Diversified Growth Fund, 62% in LDI and 1.5% in cash. This strategy remained in place as at 31 March 2023 and will be reviewed as deemed appropriate.
 - Whilst the activity set out above is a departure from the exact asset allocation outlined in the SIP dated June 2022, the Trustee notes that all decisions were entirely consistent with the wider objectives and policies laid out therein.
 - During the year the Trustee met regularly to monitor the potential impact to the Plan of various macroeconomic and political factors, in particular the Russia/Ukraine conflict, the cost-of-living crisis and the gilt market volatility of September/October 2022, assessing any impact on the funding position.
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Investment manager arrangements

The Trustee takes the below considerations into account when selecting and monitoring the performance of Investment Managers.

SIP Policy Area	Approach
Incentivising Investment Managers to align their investment strategy and decisions with the Trustee's investment policies as set out in the SIP, and detail the length of arrangements with Investment Managers	<ul style="list-style-type: none"> • Each Investment Manager is chosen for a targeted asset class or market exposure within the Plan's investment strategy. • Investment Managers' investment and risk guidelines, including prescribed benchmarks and tracking error limits, help govern their investment mandates, thereby limiting the deviation from the Plan's investment policy objectives in relation to the kinds of investments held, the balance between different kinds of investments, risks, including the ways in which risks are measured and managed, the expected return on investments, the realisation of investments, and financially material considerations.
Incentivising Investment Managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance	<ul style="list-style-type: none"> • The Trustee conducts reviews of Investment Managers regularly including meeting with Investment Managers to ensure that their investment approach is robust, long-term focused and sustainable. • The Trustee focuses on longer-term outcomes when assessing Investment Manager performance. The Trustee would not expect to terminate a manager's appointment based purely on short term performance. • If, following engagement, it is the view of the Trustee that the degree of alignment between the policies of the Trustee and an Investment Manager remain unsatisfactory, the manager will be terminated and replaced.
Method and timescale for evaluating that Investment Managers' performance and fees align with the Trustees' investment policies	<ul style="list-style-type: none"> • Performance is monitored and reported to the Trustee on a regular basis. The Trustees understand the importance of assessing performance over longer time periods. Investment Managers' fees are considered as part of any decision to invest in a new investment manager or strategy, and are reviewed from time-to-time as appropriate.
Monitoring turnover costs and fees incurred by Investment Managers and how the Trustee defines and monitors targeted portfolio turnover	<ul style="list-style-type: none"> • The Trustee receives MiFID II compliant cost reporting on an annual basis that covers all costs charged by managers, including costs associated with portfolio turnover.

Risk management and compliance

The Trustee recognises several risks involved in the investment of the Plan's assets in the SIP including solvency risk, manager risk, liquidity risk, currency risk, custodial risk, political risk, sponsor

risk and derivative-related risks. These risks are mitigated and considered when setting out the investment policies and are monitored on a regular basis.

The Plan's administrator (XPS) is responsible for ensuring there is sufficient cash reserves to meet any cashflow requirements. Advice on where to source any additional cashflow and is provided to the Trustee on an ad-hoc basis by the Investment Advisor. All disinvestments to meet cashflow requirements are subject to the processes agreed with the Trustee.

Section 4: Engagement and voting

The Trustee's engagement policy is set out in the SIP.

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its Investment Managers. The approach and actions taken by the Trustee in relation to engagement and how it monitors the Plan's investment managers is set out in the previous section.

The table below sets out the voting activities of the Plan's Investment Managers, including any votes cast on the Trustee's behalf, detail on the Plan's Investment Managers use of proxy voting and examples of votes cast that they deem to be significant. For some of the Plan's underlying investment strategies, such as hedge funds, government bonds and property, whereby these holdings do not have voting rights attached these have been excluded from the table below.

Manager and strategy	Voting activity	Use of proxy voting	Most significant votes cast
BlackRock Aquila Life World Equity Index	<p>Number of votes cast: 12,440</p> <p>Percentage of eligible votes cast: 88%</p> <p>Percentage of votes with management: 93%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 0%</p>	<p>BlackRock state that while they subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into their vote analysis process, and they do not blindly follow their recommendations on how to vote. They continue, stating that they primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial. Other sources of information BlackRock use include the company's own reporting (such as the proxy statement and the website), their engagement and voting history with the company, and the views of their active investors, public information and ESG research.</p>	<p>Company: Shell Plc</p> <p>Resolution: Approve the Shell Energy Transition Progress update (Management proposal), request Shell to set and publish targets for greenhouse gas (GHG) emissions (Shareholder proposal)</p> <p>Decision: BlackRock voted for the Management proposal and against the Shareholder proposal.</p> <p>Rationale: BIS state that they supported the Management proposal in recognition of the company's disclosed energy transition plan to manage climate-related risks and opportunities and the company's progress against this strategy. BIS considers Shell to be an industry leader on the management, oversight and disclosure of climate-related risks and opportunities. BIS go on to state they did not support the shareholder proposal because they believe that it is not additive to Shell's Energy Transition Strategy and that</p>

			<p>the company's ability to set absolute short-and medium-term scope 3 emissions reduction targets is impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.</p> <p>Company: J Sainsbury Plc</p> <p>Resolution: Shareholder resolution on living wage accreditation</p> <p>Decision: Against</p> <p>Rationale: BlackRock state that they support companies paying their workers a wage equal to or above current real living wage rates, and they engage with boards and management on their approach to ensuring their company is best placed to recruit and retain the workers on which they depend for their success. However, they did not support the shareholder proposal because, in their view, worker pay policies and rates should be determined by company management, with reference to relevant regulations and board oversight. BlackRock do not believe it is consistent with their clients' long-term interests to legally bind J Sainsbury plc (Sainsbury's) to peg their pay levels to those set by the Living Wage Foundation</p>
Towers Watson Core Diversified Fund	<p>Number of votes cast: 39,502</p> <p>Percentage of eligible votes cast: 93%</p> <p>Percentage of votes with management: 85%</p>	Towers Watson Investment Management (TWIM) have engaged with EOS at Federated Hermes to provide voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership.	<p>Company: Power Assets Holdings Limited</p> <p>Resolution: Elect director</p> <p>Decision: Against</p> <p>Rationale: TWIM cite concerns related to inappropriate membership of committees,</p>

	<p>Percentage of votes against management: 15%</p> <p>Percentage of votes abstained from: 0%</p>	<p>Voting rights for the TW CDF's holdings are delegated to the underlying managers who are always expected to exercise voting rights. The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. Where they choose to vote differently to the EOS recommendation, the underlying managers' rationale must be noted and if required, can be discussed further with EOS.</p>	<p>together with concerns related to approach to board gender diversity, inadequate management of climate-related risks and the individual having too many other time commitments.</p> <p>Company: SNAM SpA</p> <p>Resolution: Accept financial statements and statutory reports</p> <p>Decision: Against</p> <p>Rationale: TWIM state that concerns around the inadequate management of climate-related risks was their reason for not supporting the proposal.</p>
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Investment managers have provided an extensive list of significant votes, and full details can be made available on request.