

The BW Plan

## Implementation statement

Year ending 31 March 2024





# 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 2024 (“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 June 2022 – This was the version in place as at the start of the year.
- 2 July 2023 – This revised version of the SIP was adopted in July 2023 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 July 2023 were:

- Updates to the investment objectives to reference the agreed Journey Plan from the February 2023 Strategy Review
- Updates to the strategic asset allocation in the strategy section to reflect the current target weights.
- Added a paragraph on LDI collateral monitoring following the gilts crisis of 2022.

For the remainder of this document we refer to the most recent version of the SIP dated 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 targeting full funding on a buy-out equivalent liability basis in June 2028.

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
<b>Monitoring of the Plan's objectives and long-term policies</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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 is reflected in the SIP.</li> <li>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.</li> </ul>

- The investment advisor has monitored these triggers around this objective on behalf of the Trustee
  - In July 2023 the Trustee agreed to increase the target cash holding to 2% of Plan assets excluding the buy-in to ensure sufficient cash is readily available to meet outgo and to minimise the need for frequent disinvestment activity.
  - The current strategic asset allocation as at the Plan year end is to hold 10% in Equities, 35% in a Diversified Growth Fund, 53% in LDI and 2% in Cash.
  - 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 lasting repercussions of the 2022 gilts crisis, assessing any impact on the funding position.
  - Following the 2022 gilts crisis, the Trustee has enhanced its LDI monitoring. The quarterly FundWatch report now includes detailed LDI analysis including consideration of the collateral headroom position and availability of waterfall assets to replenish capital as required.
  - During the Plan year, the Trustee met with their LDI manager (BlackRock) to discuss the enhanced reporting they now provide to the Trustee and their advisors.
- 

## Investment manager arrangements

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

SIP Policy Area	Approach
<b>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</b>	<ul style="list-style-type: none"> <li>• Each Investment Manager is chosen for a targeted asset class or market exposure within the Plan's investment strategy.</li> <li>• 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.</li> </ul>
<b>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</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<b>Method and timescale for evaluating that Investment Managers' performance and fees align with the Trustees' investment policies</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Monitoring turnover costs and fees incurred by Investment Managers and how the Trustee defines and monitors targeted portfolio turnover</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

## 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>How many resolutions was the manager eligible to vote on: 15,204</p> <p>Percentage of eligible votes cast: 98.2%</p> <p>Percentage of votes with management: 94.5%</p> <p>Percentage of votes against management: 5.5%</p> <p>Percentage of votes abstained from: 0.6%</p> <p>BlackRock state: Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management</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><b>Company: Shell Plc</b></p> <p><b>Resolution:</b> Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement</p> <p><b>Voting Action:</b> Against the resolution.</p> <p>Rationale: BlackRock state that the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.</p> <p>This vote has been judged to be significant as it is related to climate, a key engagement priority for the Trustee and is a high-profile company representing a material proportion of the UK's stock market capitalisation.</p> <p><b>Company: Restaurant Brands International Inc.</b></p>

			<p><b>Resolution:</b> Elect Director Alexandre Behring</p> <p><b>Voting Action:</b> Against the resolution (against management)</p> <p><b>Rationale:</b> BlackRock state that the nominee serves as chair of the remuneration committee, which is responsible for poorly structured arrangements. Moreover, this appointment would result in a failure to ensure sufficient board independence.</p> <p>This vote has been judged to be significant as it is a vote against management.</p>
Towers Watson Core Diversified Fund	<p>How many resolutions was the manager eligible to vote on: 41,990</p> <p>Percentage of eligible votes cast: 95.7%</p> <p>Percentage of votes with management: 85.7%</p> <p>Percentage of votes against management: 14.2%</p> <p>Percentage of votes abstained from: 0.1%</p>	<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> <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><b>Company: Berkshire Hathaway Inc.</b></p> <p><b>Resolution:</b> Report If and How Company Will Measure, Disclose and Reduce GHG Emissions</p> <p><b>Voting Action:</b> For the resolution (against management)</p> <p><b>Rationale:</b> TWIM state that this shareholder proposal promotes better management of ESG opportunities and risks.</p> <p>This vote has been judged to be significant as it is a vote against management and is related to climate, a key engagement priority for the Trustee.</p> <p><b>Company: Alphabet</b></p> <p><b>Resolution:</b> Report on Risks of Doing Business in Countries with Significant Human Rights Concerns</p> <p><b>Voting Action:</b> For the resolution (against management)</p> <p><b>Rationale:</b> The manager states that this proposal was regarding greater transparency relating to</p>

			<p>business conducted in places with significant human rights concerns. The siting of cloud datacentres and strategy for mitigating related country risk seems like appropriate and material topics for disclosure.</p> <p>This vote has been judged to be significant as it is a vote against management and is a high-profile company, representing a significant proportion of the global stock market capitalisation.</p>
--	--	--	---

Investment managers have provided an extensive list of significant votes, and full details can be made available on request.