

Bradford & Bingley Staff Pension Scheme

# **Annual Implementation Statement**

Scheme year ending 30 June 2023

## Section 1: Introduction

- 1.1 This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Bradford and Bingley Staff Pension Scheme (“the Scheme”) covering the scheme year to 30 June 2023. The purpose of this statement is to:
- (i) Set out the extent to which, in the opinion of the Trustee, the Scheme’s Statement of Investment Principles (“SIP”) has been followed during the year
  - (ii) detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
  - (iii) Describe the voting behaviour by, or on behalf of, the Trustee over the year
- 1.2 A copy of this implementation statement will be made available on the following website <http://www.bandbpensions.com/> alongside the Scheme’s SIP.

## Section 2: Updates to the SIP

- 2.1 The Statement of Investment Principles in place at the beginning of the year was dated May 2021. The SIP is reviewed (and if necessary revised) at least annually and following any significant changes in investment policy. The SIP was reviewed during the Scheme Year for a change in strategy, specifically changes to the hedge ratio target, and formally adopted in October 2022. Further minor changes were made to the description of risk and to note the Trustee’s Sustainable Investment beliefs.

## Section 3: Adherence to the SIP

### Investment Objectives and Risk Management (covering Section 3 of the SIP)

- 3.1 The objectives of the Scheme (as detailed below) are assessed on a quarterly basis, through the provision of funding position updates and regular risk monitoring by the Investment Consultant and Scheme Actuary.
- i. The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with any new contributions from the Principal Employer, the cost of benefits which the Scheme provides.
  - ii. To limit the risk of the assets failing to meet the liabilities both over the long term, and on shorter-term basis
- 3.2 The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. As such, they consider material risks on a quarterly basis, monitor the efficiency of the Scheme’s liability assets against their liabilities and receive regular ESG reporting. In addition, the Trustee reviews the risk register quarterly to assess the impact and relevance of all risks to the Scheme.

### **Asset Allocation principles (covering 4.1 through 4.5 of the SIP)**

- 3.3 The Trustee reviews the level of the liability hedging quarterly as part of their regular monitoring and monitors performance of the Scheme's investments relative to investment managers' respective benchmarks.
- 3.4 The Trustee reviews the Scheme's asset allocation quarterly and receives information from the Scheme's investment consultant on market movements and economic conditions at each Trustee meeting or more frequently if required.

### **Sustainable / Responsible investment (covering 4.8 through 4.11 of the SIP)**

- 3.5 The Trustee's policy is to delegate the extent to which Environmental, Social and Governance (ESG) considerations are taken into account to the investment managers.
- 3.6 Over the year, the Trustee have met with Insight, who manage c.100% of the Scheme's assets, once and have also received regular quarterly reports from the manager. Insight take account of ESG considerations through their choice of counterparties and report counterparty ESG ratings to the Trustee within all quarterly reports. They also engage with the Debt Management Office (DMO) and the UK government on ESG issues in respect of the Scheme's government bond investments. During this meeting, Insight provided the Trustee with examples of their engagement with counterparties, which the Trustee has detailed below.
- i. A large US bank: Insight provided a feedback to the bank regarding their expectations on Diversity & Inclusion disclosures and the lack of public diversity targets. They expressed further concerns regarding the financing of fossil fuels between 2016 and 2021. Insight continue to monitor the progress of the bank following receipt of their feedback.
  - ii. A large German bank: Insight engaged with the bank following allegations of greenwashing in their asset management arm and poor diversity disclosures. Further, they believe that their diversity targets for management levels below the Board are weak. Insight plan to follow up on their engagement with a feedback report.
  - iii. UK Debt Management Office: Insight engaged over May and June 2023 to follow up on previous engagements. Concerns regarding the frequency of impact report on green gilts, as well as concerns regarding the UK's abilities to meet net-zero in light of current UK policy were the main topics of discussions. Insight will continue to engage on relevant ESG topics given their client base of UK pension schemes.
- 3.7 The Trustee has confirmed that the Investment Manager both adheres to the UK Stewardship code (2020 version) and was confirmed as a signatory in 2022 and is expected to provide evidence for their continued signatory status.

### **Investment Manager Arrangements (covering Section 5 of the SIP)**

- 3.8 Please find detailed below the assets held at the conclusion of the financial year. The Scheme's strategy has not changed materially over the year given the strength of its funding position.

<b>Investment Manager</b>	<b>Fund</b>	<b>Size (as at 30 June 2023)</b>	<b>Incepted</b>
Henderson Global Investors	Indirect Property Fund (Europe)	£0.02m*	17 June 2011
Insight Investment	LDI Fund	£913.5m	23 July 2007

\*This holding relates to an outstanding tax claim with the Danish tax authorities. All other holdings in the fund have been liquidated.

The Trustee received the 2021 MiFID II report prepared by the Investment Consultant in December 2022 to monitor ongoing costs of investment arrangements within the Scheme. The Trustee received the following data on turnover from the Investment Managers. The Trustee has reviewed this information with the Scheme's investment consultant and notes that, due to the nature of LDI, a portfolio range isn't appropriate. The Trustee has no concerns at this time regarding the turnover reported.

<b>Investment Manager</b>	<b>Fund</b>	<b>Portfolio Turnover (12 months to 30 June 2023 / 30 June 2022)</b>	<b>Expected portfolio turnover range</b>
Insight Investment	LDI Fund	11% / 29%	N/A

- 3.9 The Trustee provided their Investment Manager with the Statement of Investment Principles.
- 3.10 The Trustee met with their investment manager once over the course of the year to ensure competency and experience.

#### **Section 4: Voting and engagement**

- 4.1 The Trustee's policy is to delegate authority for the exercising of rights (including voting rights) attached to investments to the investment managers.
- 4.2 The Scheme currently invests in UK Gilts, UK Index-Linked Gilts and cash. These assets do not have any relevant voting rights for the Trustee to exercise and, as such, no voting information for the Scheme's assets is provided.

#### **Section 5: Summary and conclusions**

- 5.1 Overall, the Trustee believes that the policies and principles within the SIP have been adhered to during the Scheme year.