

Bradford & Bingley Staff Pension Scheme

Annual Implementation Statement

Scheme year ending 30 June 2024

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 2024. 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 October 2022. 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 year but no updates were made.

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 a 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 the Investment Managers benchmark.

- 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 Manager.
- 3.6 Over the year, the Trustee has 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. Insight provided the Trustee with examples of their engagements, which the Trustee has detailed below. The examples below have been provided to indicate Insight's general engagement and aren't exposures within the Scheme's holdings.
- i. A private lender: Insight engaged with an Australian non-bank private lender to understand the issuer's green bond framework in order to understand the eligibility criteria. This is important in their analysis as the Eligibility criteria will help Insight understand the impact of the framework in the Australian residential market as the issuer is providing financing to borrowers for construction, purchase or refinance of green buildings. Insight were supportive of the lender's initiatives and recommended that reporting of loans that qualify as green mortgages be compared against non-green loans to assist with credit underwriting and market absorption of their green bonds programme. Insight plan to follow up to discuss any opportunities going forward.
 - ii. A North American railroad operator: Insight engaged with one of the largest railroad operating companies in North America after it flagged controversies tied to litigation over accidents and employment issues. Insight questioned the company's accident reporting processes and asked about any future initiatives they had to improve safety. They noted some progress was being made. They intend to follow up with the issuer to obtain more information surrounding these issues.
 - iii. An automobile vehicle manufacturing company: Insight has previously engaged with this issuer in Q3 2023 and wanted to continue the conversation as the issuer recently updated one of its decarbonisation metrics. They had aimed to achieve 50% of electric vehicles in the fleet by 2025, but the target date was postponed to 2030. The issuer explained that demand had been lower than expected for electric products. Insight report that the issuer has enhanced many of its disclosures and although the above mentioned target had changed, the issuers overall goal to reach Net zero by 2050 remained unaltered.
- 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 2024 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 Scheme year. The Henderson Indirect Property Fund (Europe) is not detailed below as this holding relates to an outstanding tax claim with the Danish tax authorities. All other holdings in the fund have been liquidated. The Scheme’s strategy has not changed materially over the year given the strength of its funding position.

| Investment Manager | Fund | Size (as at 30 June 2024) | Incepted |
|---------------------------|-------------|----------------------------------|-----------------|
| Insight Investment | LDI Fund | £889.6m | 23 July 2007 |

The Trustee received the 2022 MiFID II report prepared by the Investment Consultant in December 2023 to monitor ongoing costs of investment arrangements within the Scheme. The Trustee received the following data on turnover from the Investment Manager. 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.

| Investment Manager | Fund | Portfolio Turnover (12 months to 30 June 2024 / 30 June 2023) | Expected portfolio turnover range |
|---------------------------|-------------|--|--|
| Insight Investment | LDI Fund | 16% / 11% | 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 Manager.
- 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.