The Blazefield (2001) Pension 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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated June 2023 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement. This Statement covers the period 1 January 2023 to 31 December 2023.

Investment objectives of the Scheme

The objectives of the Scheme are set out on page 4 of the SIP and are summarised below.

The Trustees' high level objectives with regard to investing the Scheme assets are to:

- Achieve a return which is sufficient, over the longer term, to meet the Funding Objective
- Adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return

Stewardship policy

The Trustees' stewardship policy, as set out in the SIP is as follows.

> The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests. The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.

Review of the SIP

The Trustees most recently reviewed the SIP in June 2023. It was updated as part of the monitoring agreement that the Trustees will review the SIP at least once every three years.

The Trustees have a policy on financially material considerations relating to 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 later in this Statement and are detailed in the Trustees' SIP.

Review of the Investment Strategy

The most recent Investment Strategy Review of the Scheme was carried out in September 2023 with the objective of increasing the allocation to LDI and investment grade corporate bonds in order to increase the target hedging levels to 100% interest rate risk and 100% for inflation rate risk with an expected net return of Gilts + 1.7% per annum. Additionally, the aim was to reduce the allocation to multi-sector credit fund to fund the fixed income allocations, and also to increase the allocations to the diversified growth fund holdings.

The revised strategy was implemented in October 2023 and the Scheme's long-term target asset allocation is shown in the table below.

The Trustees will review the asset allocation, and may change those shown in the table below, at least every three years. Similarly, the Trustees will review the choice of the investment managers at least every three years.

Investment managers and funds in use

In alignment with the Scheme's investment objectives, the Trustees have put into effect the strategic asset allocation outlined in the table below:

Asset Class	Investment Manager	Fund	Target Asset Allocation as at 31 August 2023
Global Equities	LGIM	Global Equity Fixed Weights (50:50) Index Fund	23.3%
Diversified Growth Funds	BlackRock	Dynamic Diversified Growth Fund	10.2%
	Newton	BNY Mellon Real Return Fund	
Multi-Sector Credit	TwentyFour	Vontobel TwentyFour Strategic Income Fund	4.0%
UK Corporate Bonds	M&G	All Stocks Corporate Bond Fund	30.0%
Liability Driven Investment	Columbia Threadneedle	Real Dynamic LDI Fund	32.5%
Total			**100%**

Investment Governance

The Trustees are responsible for making investment decisions and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and now the Pensions Regulator. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in December 2019, and are reviewed every three years.

There were no changes to the objectives put in place for Broadstone which were last reviewed 30 April 2021. The Trustees are due to formally review these objectives by 30 April 2024 or earlier.

Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the Investment Managers. The Trustees have an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees do not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time. The Trustees receive information on request from the Investment Managers on its approach to selecting investments and engaging with issuers with reference to ESG issues. With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser. 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 expects the Investment Managers, 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.	No deviation from this policy over the year to 31 December 2023
Voting Rights and Engagement	The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests. The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.	No deviation from this policy over the year to 31 December 2023
Capital Structure of Underlying Companies	Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.	

Financially and non-financially material considerations

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds the Scheme currently invests in 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.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by their investment managers, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing an investment manager.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers, given they are investing in pooled funds.

The Trustees invest across a range of asset classes and styles. The Trustees expect the investment managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

A summary of the Trustees' views for each of the Scheme's asset classes is outlined below:

Asset Class	Actively or Passively Managed?	Comments
Global equities	Passive	The Trustees acknowledge that the Investment Managers must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the Investment Managers to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Diversified Growth Funds	Active	The Trustees expect the Investment Managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their Investment Managers to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Multi-Sector Credit	Active	The Trustees expect the Investment Managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their Investment Managers to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Corporate Bonds	Active	The Trustees expect the Investment Managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect

		their Investment Managers to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Liability Driven Investments (LDI)	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, 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.

Voting rights and engagement activities

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence the investment managers. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

Within the current investment arrangements, the LGIM Global Equity Fixed Weights (50:50) Index Fund, BlackRock DC Diversified Growth Fund and BNY Mellon Real Return Fund contain publicly listed equity holdings. These funds have voting rights attaching these underlying equities, and the Trustees have delegated these voting rights to the investment managers, where they will set their own voting policy. A summary of the votes made by the investment managers from 1 January 2023 to 31 December 2023 on behalf of the Trustees for each fund currently used by the Scheme is provided in the table below:

Manager	Fund	Resolutions voted on	Total Resolutions Voted: For	Against	Abstained
LGIM	Global Equity Fixed Weights (50:50) Index Fund	39,734	82%	18%	0%
BlackRock	Dynamic Diversified Growth Fund	7,025	95%	4%	1%
Newton	BNY Mellon Real Return Fund	1,131	92%	8%	0%

Information regarding proxy voting is detailed below:

- **LGIM** uses ISS's 'ProxyExchange' electronic voting platform for proxy voting services.
- **BlackRock** uses ISS's electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting.
- **Newton** utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research.

Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the investment managers. In determining significant votes, the investment managers will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an engagement campaign, in line with Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following represents the significant vote undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE – LGIM	
Company	**Glencore Plc**
Date	26 May 2023
% of portfolio invested in firm	1.26% of the LGIM Global Equity Fixed Weights (50:50) Index Fund
Resolution	Resolution 19: Shareholder resolution "Resolution in Respect of the Next Climate Action Transition Plan"
Why significant	Pre-declaration and Engagement: LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of our engagement activity, targeting some of the world's largest companies on their strategic management of climate change.
How voted	**VOTED FOR (against management)**
Manager Comments	*In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition.*
Vote outcome	29.2% (fail)

SIGNIFICANT VOTE – BlackRock	
Company	**Amazon.com, Inc.**
Date	24 May 2023
% of portfolio invested in firm	Not disclosed by BlackRock
Resolution	Report on Efforts to Reduce Plastic Use
Why significant	Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Their vote bulletins can be found here: https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins
How voted	**VOTED AGAINST (Against management)**
Manager Comments	*The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.*
Vote outcome	Fail

SIGNIFICANT VOTE – Newton	
Company	**Unilever Plc**
Date	03 May 2023
% of portfolio invested in firm	1.15% of the BNY Mellon Real Return Fund
Resolution	Approve Renumeration Report
Why significant	The failed vote outcome owing to significant shareholder dissent also merits this vote as significant.
How voted	**VOTED AGAINST (Against management)**
Manager Comments	*We voted against executive pay arrangements owing to significant pay increases granted to executive(s) and the absence of a compelling rationale for this.* *The vote outcome is a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year under the review. The company has reached out to shareholders and we have communicated our concerns and reasons for adverse vote recommendations. We will continue exercising future votes in support of our views surrounding significant salary increases and alignment between pay and performance.*
Vote outcome	58% Against

Engagement activities

The notable engagement activities of the investment managers over the last 12 months is provided below:

- **LGIM** engaged with the chair of the board of Rolls Royce to understand institutional barriers to executing necessary structural changes. They also had two subsequent meetings with the CEO of the company, before and after its strategy day in November 2023. As part of their engagement, LGIM wanted to understand how Rolls Royce will govern its relations with major labour stakeholders while undertaking any strategic decisions. They also wanted to communicate to the company the significance of positioning for long-term climate trends while also addressing short-term challenges. LGIM were pleased that the strategic review announced in November 2023 appears well balanced in making suitable drastic structural and cultural changes without foregoing options for the company to remain an active participant in the carbon transition. LGIM aims to regularly engage with the company regarding implementation of the strategy review's findings and its role in the carbon transition which will occur over the coming decades.

- **BlackRock** engaged with European companies such as ABB Ltd. in Switzerland, and SoftwareONE Holding AG and TeamViewer AG in Germany, over concerns surrounding board gender diversity. After repeatedly raising concerns at board meetings, BlackRock voted in support of all management recommendations on the election of directors at these companies' AGMs. Due to continued pressure and support from BlackRock, all three of these companies have experienced a year-over-year increase in board gender diversity, all of which now meet local board representation guidelines.

- **Newton –** On the 1 February 2023, Newton organised a call with Scor's board chair Denis Kessler, post the sudden departure of ex-CEO Laurent Rousseau. Newton felt that the board chair's continued presence and his long history leading the company, could potentially mean he is too involved in the day-to-day operations which might impede the vision of the management team. Therefore, Newton asked the chair to publicly recommit that he would not extend his mandate post his term end in 2024, which should help the corporate governance profile of the board and calm markets with the sudden change in the CEO position. As a result of this engagement, the board chair did publicly recommit that he would not extend his term beyond 2024 around the earnings update in March and this was later re-communicated ahead of the upcoming 2023 AGM.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. The investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2023 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Managers are outlined in the table below:

Manager	UNPRI Score
LGIM	★★★★★
BlackRock*	★★★★*
Newton	★★★★★
TwentyFour**	**n/a****
M&G	★★★★★
Columbia Threadneedle	★★★★
Median	★★★

**2021 UNPRI score as BlackRock have not been provided a 2023 UNPRI score.*
***TwentyFour has been a signatory since 2020 but is still waiting to receive a UNPRI score.*

The Trustees also consider the investment manager's policies on stewardship and engagement when selecting and reviewing an investment manager.

Monitoring of Investment Arrangements

In addition to any reviews of the investment managers or approaches, and direct engagement with the investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from Mobius Life to ensure the investment objectives set out in their SIP are being met.

Signed: **Date:**

On behalf of the Trustees of The Blazefield (2001) Pension Scheme