# Baptist 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 Trustee's Statements of Investment Principles (SIPs) dated January 2023 and September 2024 have been implemented. The SIPs provide further background details on investment arrangements and should be read in conjunction with the Trustee's Chair Statement for 2024.

It also includes the Trustee's voting and engagement policies, as well as details of any review of the SIPs during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 January 2024 to 31 December 2024.

## Investment objectives of the Scheme

**DB Section**

The Trustee's objectives for setting the investment strategy of the DB Section of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The primary objective for the DB Section is to ensure that the Scheme should be able to meet benefit payments as they fall due.

After purchasing a second bulk annuity policy in June 2022, the Trustee's secondary investment objective for the DB Section is to realise the remaining illiquid assets in a timely fashion, and maintain surplus assets in cash until the buy-in policy can be assigned to the individual members and the Section can be wound up. The buy-in policies were assigned to individual members in November 2024 and it is anticipated that the DB Section will be wound-up in June 2025. On wind-up any surplus assets will be transferred to the DC Section.

**DC Section**

The Trustee's primary objectives for the DC Section are to provide members with access to:

- An appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- A main default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the main default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as retirement approaches.

## Review of the SIPs

The SIP was last reviewed in September 2024. The Trustee updated the SIP to include new investment regulations in relation to illiquid asset considerations. Prior to this, the SIP had last been updated in January 2023 to incorporate changes to the DB Section's investment strategy. The September 2024 SIP has been made available to members to view online and can be found at https://engage-members.broadstone.co.uk/DCClientPage?scheme=BPX.

The Trustee has a policy on financially material considerations relating to Environmental, Social, and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustee has 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 Trustee's latest SIP.

The Trustee's policies on financially material considerations, non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP that came into force during the year.

## Investment managers and funds in use

Details of the investment strategies and funds used for both the DB Section and DC Section are set out in the September 2024 SIP and the accompanying Investment Policy Implementation Document (IPID).

**DB Section**

For the DB Section, the Trustee purchased a second bulk annuity ('buy-in') policy with Just in June 2022, which combined with the first bulk annuity policy in December 2019 covers all DB Section members' guaranteed benefits. The Trustee met Just to discuss its views on environmental, social and governance issues prior to the purchase of the second buy-in policy.

At the end of the year covered by this Statement, the Trustee's investment policy was to primarily invest in a buy-in policy managed by Just, as well as holdings in the CBRE Property Fund and surplus assets held in cash with LGIM. The Scheme's holdings in the CBRE UK Osiris Property Fund are in the process of being wound down. Two further redemption payments from the fund were received during the year with the remaining holdings, totalling around £900,000, expected to be redeemed by the end of 2026.

**DC Section**

The funds offered by the Trustee for members of the DC Section to invest in during the year are shown in the below table:

| Manager | Fund |
|---|---|
| LGIM | AAA-AA-A All Stocks Corporate Bond Fund |
| LGIM | All Stocks Fixed Interest Gilt Fund |
| LGIM | All Stocks Index-Linked Gilt Fund |
| LGIM | Ethical Growth Fund |
| LGIM | Ethical Diversified Fund |
| LGIM | At Retirement Fund |
| LGIM | Cash Fund |
| LGIM | Dynamic Diversified Fund |
| LGIM | Diversified Fund |
| LGIM | Ethical Global Equity Fund |
| LGIM | Columbia Threadneedle Responsible Global Equity Fund* |
| LGIM | Low Carbon UK Transition Equity Fund |
| LGIM | Global Equity Mixed Weights (30:70) Index Fund (75% GBP Hedged) |
| LGIM | World Emerging Market Equity Fund |
| LGIM | Newton Real Return Fund** |

| | |
|---|---|
| LGIM | Over 5 Year Index-Linked Gilt Fund |

* The underlying fund is managed by Columbia Threadneedle Investments.
**The underlying fund is managed by Newton Investment Management (part of the BNY group of companies).

After the Scheme year end, the Investment Committee (‘IC’) agreed to update the DC Section’s investment strategy.  It was agreed that the LGIM Ethical Global Equity Fund will be replaced with the LGIM ESG Paris Aligned Equity Fund within the ethical default lifestyle strategy.  The IC also agreed that the M&G Sustainable Total Return Credit Investment Fund, an absolute return bond fund, will replace all passive bond allocations managed by LGIM within the ethical default lifestyle strategy to reduce duration risk.

These agreed changes are due to be implemented in 2025.  The IC also agreed to remove the availability for members to invest in the LGIM Global Equity Fixed Weights (50:50) Fund within the self-select range as part of the implementation of the above strategy changes.

## Investment governance

Governance arrangements, in terms of the constitution of the trustee board, service level agreements with providers, processing of core financial transactions, costs and charges and investment arrangements, are detailed in the Trustee’s Chair Statement.

The Trustee delegates investment decisions to its Investment Committee (‘IC’).  The IC appointed by the Trustee board is responsible for ensuring that the ethical investment policy is adhered to by the appointed Investment Managers within acceptable levels.  The current guidelines are those set out in the Trustee’s Ethical Investment Policy document, last revised in March 2023.  The Trustee believes that this stance should not undermine the long-term objectives of the Scheme.  The Trustee will take its ethical guidelines into account when appointing and reviewing all its Investment Managers.

The Trustee does not actively obtain views of the membership of the Scheme to help form its policies set out in the SIP, as the Trustee’s primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective.  However, members are able to provide their views and feedback directly to the Trustee (where required), and the Trustee is undertaking further reviews of its communication strategies and how it engages with members.  This includes developing methods for members to express their views.

The Trustee has put in place strategic objectives for LCP, as the Trustee’s investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were reviewed by the Trustee in December 2022.  The next review is due by December 2025.  These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

In addition, the Trustee regularly reviews its advisers (including LCP as their investment consultant) on an ongoing basis, with the latest formal review of LCP against their strategic objectives completed in 2024.

## Monitoring of investment arrangements

In addition to any reviews of the Investment Managers or their approaches, and direct engagement with the Investment Managers (as detailed above), the Trustee receives performance reports from LCP on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

## Trustee's 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 |
|---|---|---|
| **Considerations in setting the investment arrangements** | When deciding how to invest the Scheme's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2 of the SIP in force. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.<br><br>The considerations the Trustee takes into account for both sections of the Scheme are outlined on pages 5 and 6 of the SIP. | No deviation from this policy over the year to 31 December 2024. |
| **Implementation of the investment arrangements** | The Trustee's policy on the implementation of the investment arrangements is set out on pages 7 and 8 of the SIP. | No deviation from this policy over the year to 31 December 2024. |
| **Realisation of investments** | The Investment Managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.<br><br>For the DB Section, the buy-in provider is obliged to deliver the cash flow stipulated in the contract, which is designed to pay member benefits in full and on time.<br><br>For the DC Section, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. | No deviation from this policy over the year to 31 December 2024. |
| **Financially and Non-Financially Material Considerations** | The Trustee's policy on financially and non-financially material considerations is set out on pages 8 and 9 of the SIP and in full below. | No deviation from this policy over the year to 31 December 2024 (see below). |
| **Engagement and Voting Rights** | The Trustee recognises its responsibility as the owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.<br><br>The Trustee has delegated to its Investment Managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.<br><br>The Trustee does not monitor or engage directly with issuers or other holders of debt or equity but it does engage with current and prospective Investment Managers on matters including ESG and stewardship. Further details are set out in Appendix 3 of the SIP in force. | No deviation from this policy over the year to 31 December 2024 (see below). |

| Requirement | Policy | Implementation of Policy |
|---|---|---|
| **Illiquid investments** | Illiquid assets means assets that can't be easily or quickly sold or exchanged for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.<br><br>Investments in the default lifestyle arrangements include illiquid assets through a small investment in UK direct physical property and private market credit. These investments are held via the LGIM Diversified Fund, which forms part of the Ethical Default Lifestyle Fund. Members aged up to 65, assuming a target retirement age of 65, hold an investment in illiquid assets. The LGIM Diversified Fund is managed by LGIM, which means the allocation to illiquid assets may vary over time and may reduce to zero, depending on the views of the manager. The Trustee has included these allocations within the default arrangement because it believes it will help achieve the overall investment objective for the DC section by increasing returns and providing diversification benefits for members in the approach to retirement.<br><br>The Trustee believes that long-term net risk-adjusted investment returns may be improved by investing in illiquid assets. However, investing in stand-alone illiquid assets in DC pension schemes is a relatively new and developing area. In addition, the inability to sell stand-alone illiquid assets at relatively short notice could impact and delay the wind-up of the DC Section if this was to happen in the future. Therefore, it is the Trustee's policy to only invest in illiquid assets through pooled fund structures such as the LGIM Diversified Fund which are not subject to dealing restrictions.<br><br>There are a number of 'legacy defaults' in the Scheme. These include the LGIM Diversified Fund mentioned above, as well as the Lump Sum Target Lifestyle Fund and the LGIM Dynamic Diversified Fund. The LGIM Dynamic Diversified Fund includes illiquid assets through a small investment in UK direct physical property and private market credit. The Lump Sum Target Lifestyle Fund invests in illiquid assets via the LGIM Dynamic Diversified Fund, which is one of its component funds. The other legacy defaults do not include illiquid assets. Members across all ages can be invested in legacy defaults. | No deviation from this policy since it was introduced in the September 2024 SIP. |

## Financially and non-financially material considerations

The Trustee has considered how environmental, social and governance ("ESG") considerations (including but not limited to climate change) should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its Investment Managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee has decided that the Investment Managers should adopt ethical guidelines where possible. The current guidelines are those set out in the Trustee's Ethical Investment Policy document, which was updated in March 2023 to clarify how this Policy applies to the DC Section of the Scheme, as well as confirming that the Trustee will consider the sponsoring employer's ethical policies when reviewing/updating the investment strategy of both Sections of the Scheme. The Trustee believes that this stance should not undermine the long-term objectives of the Scheme.

The Trustee will take its ethical guidelines into account when appointing and reviewing the Investment Managers, and for the DC Section when making funds available to invest in by members. The Trustee cannot usually directly influence Investment Managers' policies on ethical factors where assets are held in pooled funds due to the collective nature of these investments.

Within the DC Section, the Trustee has chosen to invest the equity allocation of the Ethical Default Lifestyle strategy in a passively managed fund that tracks an index that has reduced exposure to ESG and ethical risks and increased exposure to ESG and ethical opportunities. Outside of the Ethical Default Lifestyle strategy, the DC Section offers an actively managed equity fund which invest in ESG and ethically screened equities as well as a passively managed equity fund which tilts the Fund in favour of companies with lower greenhouse gas emissions.

In addition, the Trustee has agreed to update its default investment strategy for the DC Section to incorporate the following funds with a focus on ESG considerations:

- The introduction of the LGIM ESG Paris Aligned World Equity Fund, which both ethically screens equities and tilts investment in favour of companies with lower greenhouse gas emissions. This is complemented by investing in companies that promote the United Nations' Sustainable Development Goals ('UN SDGs') as well as having a decarbonisation pathway to help the fund support the principles of the Paris Climate Agreement; and
- The introduction of the M&G Sustainable Total Return Credit Investment Fund, which incorporates ESG factors as part of the fund's investment process.

Both funds are expected to be aligned with the Trustee's Ethical Investment Policy.

A summary of the Trustee's views for each asset class in which the Scheme invests is outlined below.

| Asset Class | Active or passively managed? | Comments |
|---|---|---|
| **Equities** | Active / Passive | Where equities are actively managed, the Trustee expects the fund manager to integrate ESG factors into the selection, retention, and realisation of the stocks they hold where this is expected to have a material impact on returns. The Trustee also expects the fund manager to take into account ESG considerations when engaging with companies and by exercising voting rights. However, the exercise of rights and engagement activities should be consistent with, and proportionate to, the rest of the investment process.<br>The Trustee has made the following funds available to invest in by members of the DC Section, where these funds have a focus on ESG factors:<br>• The LGIM Ethical Global Equity Index Fund is available to members, primarily through the Ethical Default Lifestyle. The fund aims to track the FTSE4Good Developed Index, which excludes companies that are involved in the manufacturing or production of tobacco, weapons, or coal, or investment trusts, and requires companies to have obtained a FTSE ESG rating of 3.3 or above to be included in the index. Therefore, the Trustee expects the Investment Manager to take a more in-depth account of ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies. |

| Asset Class | Active or passively managed? | Comments |
|---|---|---|
| | | • The Columbia Threadneedle Responsible Global Equity Fund is available to use by members. The fund aims to provide long-term capital growth by investing in companies screened against defined responsible and sustainable criteria, including exclusions on tobacco, alcohol, weapons, gambling, nuclear and pornography. The fund also requires companies to meet sector standards on social and environmental impacts, including systems for managing labour standards, human rights, supply chains, environmental impacts, water, waste and biodiversity.<br>• The LGIM Low Carbon Transition UK Equity Index Fund is available as an additional default arrangement for members. The fund is designed to provide exposure to the UK equity market on a de-carbonisation path to achieve net zero by 2050, whilst also significantly reducing the level of carbon reserves and improving green revenues. Companies that fail to meet LGIM's minimum standards on low carbon transition and corporate governance standards may be excluded from the fund. |
| **Risk-controlled multi-asset funds** | Active | The Trustee expects the asset managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustee also expects its Investment Managers to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights. |
| **Property** | Active | The Trustee believes 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. However, the Trustee expects the Investment Manager to have regard to ESG issues when properties are being sold and purchased within the portfolio, together with any opportunities to re-develop existing properties with ESG issues in mind. |
| **Corporate bonds** | Passive | The Trustee acknowledges that the Investment Manager must invest in line with specified index and, therefore, may not be able to disinvest from a particular bond issue if it has concerns relating to ESG. The Trustee also expects its Investment Manager to engage with investee companies, where possible, although it appreciates that fixed income assets do not typically attract voting rights. |
| **Government bonds** | Passive | The Trustee believes 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. |
| **Cash** | Active | The Trustee believes 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. |
| **Buy-in policy** | Active | The Trustee expects the insurer to take financially material ESG factors into account, given the underlying assets held by the insurer are actively managed and the ability of the insurer to use its discretion to generate higher risk adjusted returns. The Trustee also expects the insurer to engage with investee companies, where applicable, although it appreciates that fixed income assets (which make up a large proportion of the buy-in policy) do not typically attract voting rights. |

## Voting rights

The Trustee and members currently invest in pooled investment funds with the Investment Managers, and it acknowledges that this limits the ability to directly influence the Investment Managers.  In particular, all voting activities have been delegated to the Investment Managers, as the Trustees are unable to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

However, the Trustee periodically meets with its Investment Managers, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustee.  As part of this, the Trustee will seek to challenge the Investment Managers on these matters where it thinks this is in the best interests of members.

To complement this monitoring, the Trustee receives stewardship and governance reports from the Investment Managers on a quarterly basis.

**DB Section**

None of the assets held by the DB Section at the year-end hold any public listed equities or voting rights.

**DC Section**

Some of the LGIM assets held in the DC Section contain publicly listed equity holdings.  These funds have voting rights attached to the underlying equities held within the funds, and the Trustee has delegated these voting rights to LGIM, where LGIM sets its own voting policy.

All of the DC Section's assets are invested in pooled funds held with LGIM.  LGIM do not use a proxy voting service to determine their voting policy, which is formed in-house.  LGIM do, however, use Institutional Shareholders' Service's (ISS's) Proxy Exchange voting platform to vote on resolutions electronically.  Where the underlying fund is managed by Columbia Threadneedle or Newton (part of the BNY Mellon group of companies), both managers use ISS to assist with implementing any voting decisions made internally by the managers.

A summary of the votes made by the underlying Investment Managers from 1 January 2024 to 31 December 2024 on behalf of the Trustee for each fund made available by the Trustee under the DC Section during the year that includes voting rights was requested from the managers.  It was requested that the manager provides voting data broken down into Environmental, Social, and Governance categories.  However, the manager advised that the data is not yet available in this format.  The breakdown of this data will continue to be requested in future periods.  The data in the table below is therefore provided at total fund level.

| Manager | Fund | Resolutions Voted On | Resolutions Voted: | | |
|---|---|---|---|---|---|
| | | | For | Against | Abstained |
| LGIM | Ethical Growth Fund* | 108,219 | 76.7% | 22.4% | 0.9% |
| LGIM | Ethical Diversified Fund* | 108,219 | 76.7% | 22.4% | 0.9% |
| LGIM | At Retirement Fund* | 107,748 | 76.7% | 22.4% | 0.9% |
| LGIM | Dynamic Diversified Fund | 102,122 | 76.6% | 22.7% | 0.7% |
| LGIM | Diversified Fund* | 107,748 | 76.7% | 22.4% | 0.9% |
| LGIM | Ethical Global Equity Fund | 16,568 | 82.0% | 17.6% | 0.4% |
| LGIM | World Emerging Markets Equity Index Fund | 35,531 | 80.4% | 17.6% | 2.0% |
| LGIM | Columbia Threadneedle Responsible Global Equity Fund** | 751 | 94.9% | 4.3% | 0.8% |
| LGIM | Low Carbon UK Transition Fund | 1,844 | 96.5% | 3.5% | - |
| LGIM | Global Equity Mixed Weights (30:70) Index Fund (GBP Hedged) | 72,211 | 81.1% | 17.8% | 1.1% |
| LGIM | Newton Real Return Fund*** | 1,047 | 89.5% | 8.6% | 1.9% |

* Composed of various underlying funds
** The underlying fund is managed by Columbia Threadneedle Investments.
***The underlying fund is managed by Newton Investment Management (part of the BNY group of companies).

## Significant votes

The Trustee has requested details of the significant votes made on behalf of the Trustee by LGIM in respect of a fund in which the DC Section invests and has voting rights.  In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance.  This includes but is not limited to:

- High profile votes which have 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 the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction votes as a result of a direct or collaborative engagement;
- Votes linked to an any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustee believes the following are the most significant votes undertaken on its behalf over the Scheme year:

| **Significant Vote 1** | | |
|---|---|---|
| Investment Manager | LGIM | |
| Company | Shell Plc | |
| Date of vote | 21 May 2024 | |
| Percentage of portfolio invested in Company at date of vote | LGIM Ethical Growth Fund: | 0.5% |
| | LGIM Ethical Diversified Fund: | 0.3% |
| | LGIM At Retirement Fund: | 0.1% |
| | LGIM Dynamic Diversified Fund: | 0.3% |
| | LGIM Diversified Fund: | 0.3% |
| | LGIM Ethical Global Equity Fund: | 0.6% |
| | LGIM Low Carbon UK Transition Fund: | 1.4% |
| | LGIM Global Equity Mixed Weights (30:70) Index Fund (GBP Hedged): | 2.3% |
| Resolution | Approve the Shell Energy Transition Strategy | |
| Why significant | LGIM is publicly supportive of "Say on Climate" votes.  LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C temperature increase scenario.  Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan. | |
| Voting decision | Voted Against | |

| | |
|---|---|
| Manager comments | *"LGIM acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025.*<br><br>*Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and [Liquified Natural Gas] business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. LGIM seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation.*<br><br>*Additionally, LGIM would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capital expenditure allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in the company's decarbonisation strategy."* |
| Vote outcome | Resolution Passed |

| **Significant Vote 2** | | |
|---|---|---|
| Investment Managers | LGIM<br><br>Columbia Threadneedle | |
| Company | Apple Inc | |
| Date of vote | 28 February 2024 | |
| Percentage of portfolio invested in Company at date of vote | LGIM Ethical Growth Fund: | 5.0% |
| | LGIM Ethical Diversified Fund: | 2.2% |
| | LGIM At Retirement Fund: | 0.2% |
| | LGIM Dynamic Diversified Fund: | 0.5% |
| | LGIM Diversified Fund: | 0.4% |
| | LGIM Ethical Global Equity Fund: | 6.9% |
| | Columbia Threadneedle Responsible Global Equity Fund: | 6.9% |
| | LGIM Global Equity Mixed Weights (30:70) Index Fund (GBP Hedged): | 2.7% |
| Resolution | LGIM - Report on Risks of Omitting Viewpoint and Ideological Diversity from Equal Employment Opportunity ('EEO') Policy<br><br>Columbia Threadneedle - Report on Median Gender/Racial Pay Gap | |
| Why significant | LGIM views diversity as a financially material issue for their clients, with implications for the assets LGIM manage on the client's behalf.<br><br>Columbia Threadneedle deems votes on certain social and environmental proposals as significant. | |
| Voting decision | LGIM Voted Against<br><br>Columbia Threadneedle Voted For | |

| | |
|---|---|
| Managers comments | LGIM - *"A vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and nondiscrimination policies, and including viewpoint and ideology in Equal Employment Opportunity policies does not appear to be standard industry practice."*<br><br>Columbia Threadneedle – *"The proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management."* |
| Vote outcome | Resolution Failed |

## Engagement activities

The Trustee has also delegated engagement activities to the Investment Managers. The notable engagement activities of the Investment Managers are provided below:

- **LGIM** engaged with Colgate-Palmolive, an American multinational consumer products company, focusing on the company's deforestation approach as well as challenges and opportunities in meeting their deforestation management commitments. LGIM met with the company's Chief Sustainability Officer, and explored how the company is ensuring supplier compliance and increased traceability across commodities in their supply chain, as well as the suitability of the company's escalation procedures for non-compliance.

  LGIM also sought to encourage increased oversight from the Board of Directors, and prioritisation of the issue of deforestation within the company's risk management agenda. LGIM noted that the company have demonstrated progress in appreciating responsible sourcing as a critical issue, whilst building relationships and furthering engagement with their suppliers and ending relationships with those found to be non-compliant. LGIM note that, overall, the company meets their minimum expectations on deforestation management.

  LGIM note that Colgate-Palmolive have introduced satellite imaging for monitoring purposes, and are undertaking the complex process of mapping palm oil derivatives. LGIM also note that the frequency of Board-level updates on deforestation has increased.

  LGIM will further engage with the company in 2025, with a focus on traceability progress across key commodities, along with collaborative efforts with their peers to eliminate net deforestation. LGIM will also look to further discuss the company's work on mapping and addressing deforestation risks in their supply chain.

- **CBRE** engaged with all the underlying fund managers of the CBRE UK Osiris Property Fund to understand how the managers would look to improve performance regarding a variety of ESG related issues. These included building certifications, net zero carbon emission targets, and utility data coverage. All underlying fund managers provided sufficient responses to CBRE regarding the measures they would be undertaking to further improve ESG performance across their respective funds.

  Given the extent of the wind down of the CBRE UK Osiris Property Fund, CBRE's engagement activity is limited.

- **Columbia Threadneedle ('CT')** engaged with Smurfit Westrock, a paper-based packaging supplier, to assess the company's sustainable forestry practices, community engagement effects, and the environmental and social impacts of its operations. CT conducted a two-day site visit to Smurfit Westrock's forestry assets and pulp mill in Cali, Colombia, accompanied by the company's Chief Sustainability Officer.

  During the visit, CT witnessed the company's scientific rigor and collaborations with universities in forestry research and observed evidence of heavy soil erosion on degraded cattle pastures, indicating the positive impact of afforestation in controlling erosion. CT also toured the new biomass boiler under construction at the Cali plant which will replace coal and encouraged the company to ensure that any third-party sourced biomass is certified.

CT were pleased to see the improvements that Smurfit Westrock has made on its management of operational impacts on biodiversity, which has been a focus of their engagement over the past two years. CT will further engage with the company in 2025, with a focus on ensuring that the company sustainably sources feedstocks for the biomass boiler, and continues to maintain productive relationships with local indigenous communities.

- **Newton** engaged with Greencoat UK Wind ('UKW'), one of the leading UK investment trusts, to encourage the company to bring management fees in line with share price. UKW's share price was trading at a discount to its Net Asset Value ('NAV') with the manager's fees linked to NAV incentivising them to grow the assets in the trust rather than addressing the discount. Newton noted that linking the fees to share price would align the manager with shareholders and incentivise them to address the discount. Newton voted against the continuation of the trust at the last AGM to signal to the board the materiality of this issue.

  During engagement, UKW updated the manager's fees and announced that the fees would be based on the lower of market capitalisation or NAV. The UKW board highlighted that it had constructive conversations with the manager and is happy with the impact of the new fee terms.

  Newton appreciated the update to the company's fee structure and believe their long-standing engagement played a significant role in bringing about this change. Newton believes that this change at UKW could encourage other investment trusts to consider aligning its manager fees with share price.

For the buy-in policy held under the DB Section, Just have put in place targets to reduce the carbon emission across its bulk annuity policies, as well as making a positive impact in line with the United Nations' Sustainable Development Goals. These targets and policies are set out in Just's Responsible Investment Framework and reported on each year. Some of the key highlights are summarised below:

- Just have raised debt via green bonds and sustainability bonds to target investment of £825 million in green and social assets by the end of 2025.
- Carbon emissions have reduced by 90% since 2019 across the investments held by Just.
- Just have partnered with EcoTree to plant 250,000 trees since 2021.
- Just have women in 33% of senior leader positions, aiming to meet its target to have women in 40% of senior leader positions by December 2026.

Just's ESG and sustainability insight and reports can be found at the following web address https://www.justgroupplc.co.uk/sustainability.

The Trustee is comfortable with the approach used by Investment Managers and insurer for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustee also considers an investment manager's or insurer's policies on stewardship and engagement when selecting and reviewing investment managers or insurers.

**Signed:** **Date:** 30/07/2025

**On behalf of the Trustee of the Baptist Pension Scheme**