

Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles (SIP) dated October 2020 have been implemented. The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustee's Chair's Statement for 2020.

This Statement covers the period 1 January 2020 to 31 December 2020.

Investment strategy and Managers in use

Details of the investment strategies and funds used for both the DB Section and DC Section are set out in the October 2020 SIP and Investment Policy Implementation Document (IPID).

Scheme 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 Chair's 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 September 2019. 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 of its investment managers.

The Trustee does not actively obtain views of the membership of the Scheme to help form their 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 considering a review of its communication strategies and how it engages with members. This includes developing methods for members to express their views.

There were no changes to the objectives put in place for LCP, which were formally agreed by the Trustee in September 2019. The Trustee is due to formally review these objectives by the end of 2021.

Implementation Statement (continued)

Scheme governance (continued)

The investment management agreement with LGIM for the DC section was updated in July 2020 to implement reduced management fees incurred by members. Otherwise, there were no changes to the investment management agreements with Ruffer, RLAM, CBRE, BMO, JP Morgan and Janus Henderson during the year.

Trustee knowledge and understanding

The Trustee board has the appropriate knowledge and understanding to ensure its policies on financially and non-financially material considerations, as well as engagement and voting activities, are and remain appropriate for both sections of the Scheme. The Trustee has developed its knowledge and understanding over the year, and further details are set out in the Chair's Statement.

In particular, the Trustee has undertaken training on governance, administration arrangements and the member experience in September 2020, and will have further training on an annual basis.

Statement of Investment Principles

The Trustee last updated the SIP in October 2020. This SIP replaces the previous SIP dated September 2019 to incorporate changes to the DC Section's investment arrangements.

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 below and are detailed in the Trustee's SIP.

The Trustee's policies on financially and non-financially material considerations, as well as engagement and voting activities were updated in September 2019, and are confirmed in the current SIP in force.

There were no departures from the policies set out in the SIP, including the Trustee's policies on financially and non-financially material considerations, during the year.

Implementation Statement (continued)

Policy on financially and non-financially material considerations

Trustee's Policy: *The Trustee has considered how environmental, social and governance ("ESG") factors 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, in the investment of the DB Section's assets, the investment managers should adopt ethical guidelines where possible. The current guidelines are those set out in the Trustee's Ethical Investment Policy document. 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 DB Section's investment managers. 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 Plan, 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 Plan offers actively managed equity funds which invest in ESG and ethically screened equities. At this time, it does not believe there are any ESG-focused investment options available that meet its needs in other asset classes but will keep this under review.

Implementation Statement (continued)

Policy on financially and non-financially material considerations (continued)

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year.

The Trustee notes 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 Trustee is satisfied that the funds currently invested in by the Scheme are managed in accordance with its 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 Trustee has access to updates on governance and engagement activities by the investment managers, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

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

Implementation Statement (continued)

Policy on financially and non-financially material considerations (continued)

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

Asset Class	Actively or Passively Managed?	Comments
Equities	Active / Passive	<p>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.</p> <p>The Trustee also expects the fund manager to take into account ESG considerations when engaging with companies and by exercising voting rights.</p> <p>However, the exercise of rights and engagement activities should be consistent with, and proportionate to, the rest of the investment process.</p> <p>The Trustee has invested in the LGIM Ethical Global Equity Index Fund in the DB Section and has made this fund available to members of the DC Section, 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.</p>
Risk-controlled multi-asset funds	Active	<p>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.</p>
Multi-asset credit	Active	<p>The Trustee expects the asset manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its asset manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.</p>

Implementation Statement (continued)

Policy on financially and non-financially material considerations (continued)

Asset Class	Actively or Passively Managed?	Comments
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.
Infrastructure	Active	The Trustee expects the investment manager to take financially material ESG factors into account, due to the unconstrained and active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. Given the nature of the asset class, the Trustee expects ESG considerations to be a significant factor in the investment manager's decision making process, and for the investment manager to engage heavily with the underlying investee companies.
Corporate bonds	Active	The Trustee expects the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its investment manager to engage with investee companies, where possible, although they appreciate 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.
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 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.

Implementation Statement (continued)

Policy on the exercise of voting rights and engagement activities

Trustee's Policy: *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. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.*

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year. In particular, all voting activities for any pooled fund holdings have been delegated to the investment managers of these pooled funds, as the Trustee does not have any legal right to vote on the underlying holdings. In addition, the Trustee has delegated all voting activities on any underlying holdings of the portfolio managed by Ruffer, and the Trustee keeps this under review.

The Trustee currently invests the majority of the assets of the DB section in pooled investment funds with the investment managers, and acknowledges that it limits their ability to directly influence each investment manager. 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 its investment managers on these matters where they think 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.

Implementation Statement (continued)

Policy on the exercise of voting rights and engagement activities (continued)

Within the current investment arrangements, LGIM, Ruffer and Janus Henderson assets contain equity holdings. Therefore these funds have voting rights attaching to these underlying equities.

Some of the investment managers use the voting policy of a third party proxy voter when exercising voting rights. The third party proxy voters used are confirmed in the table below.

The Trustee has delegated engagement activities to their investment managers, and each investment manager reports to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings.

A summary of the votes made by the investment managers from 1 January 2020 to 31 December 2020 on behalf of the Trustee (where the investment owns equities) is provided in the table below. The analysis is based on the latest information available from each investment manager and voting activity sits at the fund level.

DB Section

Manager	Pooled or Segregated?	Third Party Proxy Voter	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
LGIM	Pooled	ISS	17,726	84%	16%	0%
Ruffer	Segregated	ISS	453	94%	5%	1%
CBRE	Pooled	Not applicable – only invests in property	N/A			
JP Morgan	Pooled	Not applicable – only invests in infrastructure	N/A			
Janus Henderson	Pooled	Not applicable – only invests in bonds	N/A			
RLAM	Pooled	Not applicable – only invests in bonds	N/A			
BMO	Pooled	Not applicable – only invests in bonds	N/A			

Implementation Statement (continued)

Policy on the exercise of voting rights and engagement activities (continued)

DC Section

Manager	Pooled Fund	Third Party Proxy Voter	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
LGIM	Dynamic Diversified Fund	ISS	80,980	84%	15%	1%
LGIM	Ethical Global Equity Index Fund	ISS	17,726	84%	16%	0%
LGIM	Global Equity Fixed Weights (50:50) Index Fund	ISS	43,499	84%	16%	0%
LGIM	Global Equity 30:70 Currency Hedgec Fund	ISS	76,984	84%	15%	1%
LGIM	World Emerging Markets Equity Index Fund	ISS	34,492	86%	13%	1%
LGIM	BMO Responsible UK Income Fund	ISS	1,220	97%	3%	0%
LGIM	BMO Responsible Global Equity Func	ISS	662	77%	23%	0%
LGIM	Newton Real Return Fund	ISS	548*	55%	41%	4%
LGIM	Standard Life Global Absolute Return Strategies Fund**	ISS	69,507	87%	11%	2%
LGIM	Ethical Growth Fund***	ISS	81,013	84%	15%	1%
LGIM	Ethical Diversified Fund***	ISS	81,013	84%	15%	1%
LGIM	At Retirement Fund***	ISS	80,980	84%	15%	1%

*Number of meetings attended where votes were made

**Fund was removed during the year.

***Composed of various underlying funds.

Some of the funds that have been made available by the operating manager, LGIM, are managed by external investment managers. The Trustee will work with LGIM to obtain this voting information in future years.

Implementation Statement (continued)

Policy on the exercise of voting rights and engagement activities (continued)

The Trustee has requested details of the significant votes and engagement activity made on behalf of the Trustee. Details of these significant votes are provided below, together with engagement activities where voting rights are not held by the investment manager. The significance has been determined where the asset manager believes the vote or activity has led to the most change in respect of the underlying company.

LGIM voted in favour of a resolution for Proctor & Gamble to report on their efforts to eliminate deforestation, as part of LGIM's five-year strategy to tackle climate change. P&G set a goal for 100% of the palm oil used in their products to be from sustainable sources, but has only achieved one third. In addition, suppliers have been linked to illegal deforestation, a key driver of climate change. LGIM has asked P&G to respond to the concerns raised and continue to engage on the topic, and will monitor P&G's disclosure for improvement.

Ruffer voted against the re-election of non-executive directors at Cigna, after taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates. Ruffer did not support the re-election of a number of non-executive directors due to concerns that they were not independent.

CBRE set up an ESG data management system with UNITE UK Student Accommodation to set medium and long term strategy targets and to engage on climate related risks. As a result, the business has appointed ESG consultants and its targets are aligned with recommendations from the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board.

JP Morgan's Infrastructure Investment Fund (IIF) and its portfolio companies have supported local communities during the pandemic through volunteering hours, increased governance measures and COVID-19 committees and monitoring. Actions include US energy company, SouthWestGeneration, donating 100 laptops to a local school to aid remote learning and \$5,000 to a COVID relief fund in Colorado.

Janus Henderson engaged with shipping company CMA, who has committed to be carbon neutral by 2050 and to reduce its carbon emissions by 40% in 2030. However, CMA is not a partner of the Getting to Zero Coalition which targets reducing greenhouse gases by 50% by 2050, unlike other European container shippers. Janus Henderson are initiating engagement to understand why they are not involved in the initiative.

Implementation Statement (continued)

Policy on the exercise of voting rights and engagement activities (continued)

RLAM has ongoing engagement with BP focused largely on the company's ambitions to move to being a net zero business by 2050. They looked at how the business was assessing any material investment decisions in order to be aligned with the Paris Agreement on climate change following a resolution RLAM co-filed last year. RLAM also discussed BP's decision to leave a number of US lobbying groups where BP's position on areas such as carbon pricing was now irreconcilable with the aims of those organisations.

BMO engaged with Taiwan Semiconductor Manufacturing Company Limited to encourage its remuneration disclosures. It is difficult for investors to assess alignment between pay and performance on sustainability and other objectives. BMO therefore asked for the company to improve its approach to remuneration transparency and disclosure going forward.

The Trustee is comfortable with each investment manager's approach 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 each investment manager's policy on stewardship and engagement when selecting and reviewing investment managers.

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.

Signed: *C Maggs*

Date: 28 July 2021

On behalf of the Trustee of the Baptist Pension Scheme