

# British Museum Company Limited Retirement Benefits Plan

## 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 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 September 2020 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 April 2020 to 31 March 2021.

### Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
<b>Diversified Growth Funds</b>	BNY Mellon Real Return Fund	10.0%
	Aviva Multi Strategy Target Return Fund	15.0%
	Invesco Global Total Return Fund	15.0%
	ASI Global Absolute Return Strategies Fund	30.0%
<b>Property</b>	Standard Life Investments Long Lease Property Fund	19.0%
<b>Absolute Return Bonds</b>	ASI Absolute Return Global Bonds Strategies Fund	6.0%
	BNY Mellon Global Dynamic Bond Fund	5.0%
<b>Total</b>		<b>100.0%</b>

### Strategy Review

There have been no changes to the investment managers or target asset allocation over the year.

### Scheme Governance

The Trustee board is responsible for making investment decisions, and seeks advice from Broadstone Corporate Benefits Limited, as the Trustee's investment consultant.

The Trustee does not actively obtain views of the membership of the Plan to help form its policies set out in the SIP.

There were no changes to the objectives put in place for Broadstone which were last reviewed in 2019. The Trustee is due to formally review these objectives by December 2022, or earlier.

There were also no changes to the investment management agreements with the investment managers during the year.

### Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in September 2020, which was updated to comply with the new investment regulations in relation to Environmental, Social & Governance (ESG) considerations.

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 SIP.

## Statement of Investment Principles (continued)

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

### Policy on financially material considerations

***Trustee's Policy: The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjustment investment returns. The Trustee expects the investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee assesses the ESG integration capability of the investment managers.***

There have been no changes to the Trustee's policy, nor any departures from the 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 has sought Broadstone's advice in assessing the managers' activity against the Trustee's policies. Broadstone are satisfied that the funds currently invested by the Plan are managed in accordance with the Trustee's 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 and Broadstone have access to updates on governance and engagement activities by the investment managers, and the Trustee receives input from Broadstone on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

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

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

Asset Class	Actively or Managed?	Comments
<b>Diversified Growth</b>	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 the investment manager, 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.
<b>Property</b>	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.

<b>Absolute Bonds</b>	<b>return</b>	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 the investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
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## Policy for taking into account non-financially material considerations

**Trustee's Policy:** *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 Trustee believes these should not drive investment decisions. The Trustee expects the investment manager, 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. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.*

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

## Policy on the exercise of voting rights and engagement activities

**Trustee's Policy:** *The Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee believes that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects the investment managers to exercise ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame.*

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have the administrative mechanism to cast votes on the underlying holdings, given the pooled nature of the Plan's investments.

The Trustee currently invests in pooled investment funds with the investment managers, and acknowledges that this limits their ability to directly influence each investment manager.

The Trustee has employed Broadstone to assist in monitoring the voting and engagement activity of the investment managers, and a summary of this activity is provided to Broadstone and available to the Trustee each quarter. The Trustee, with the assistance of Broadstone, concluded that the voting and engagement activity of the investment managers is in line with the Trustee's policy on voting and engagement.

Within the current investment arrangements, the diversified growth funds contain equity holdings, and therefore have voting rights attached to these underlying equities.

All of the investment managers use the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third proxy voters used are confirmed in the table below.

The Trustee has delegated engagement activities to the investment managers, as the Trustee does not have the administrative mechanism to cast votes on the underlying holdings, given the pooled nature

of the Plan's investments, 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 on behalf of the Trustee (where the investment owns equities) is provided in the table below, based on the latest information available from each investment manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
<b>BNY Mellon*</b>	Pooled	ISS	540**	56%	41%	3%
<b>ASI</b>	Pooled	ISS	69,538***	86%	12%	2%
<b>Aviva</b>	Pooled	ISS	72,025**	76%	24%	n/a****
<b>Invesco</b>	Pooled	ISS	46,454***	89%	10%	1%

\*Resolution summary figures correspond to voting summary carried out by Newton, an investment management subsidiary of BNY Mellon responsible for managing the funds which are held by the Plan

\*\*Resolution summary figures provided by investment manager cover the period 1 January 2020 to 31 December 2020

\*\*\*Resolution summary figures provided by investment manager cover the period 1 April 2020 to 31 March 2021

\*\*\*\*Abstention data not provided

The votes above are at the company level, rather than being plan or fund specific. The Trustee will work with Broadstone to obtain this information in future years. The Trustee is required to provide information on the "significant votes" cast by the investment managers. What constitutes a significant vote is not entirely clear, however, the Trustee has been advised by Broadstone and is satisfied that this notable engagement activity section as set out fulfils this requirement. This disclosure reflects engagement at the company level, and does not imply that it reflects engagement on investments made by the Plan. The notable engagement activities of the investment managers are provided below:

- **BNY Mellon** met with BHP, an Australian mining company, to discuss how executive remuneration is linked to sustainability issues as well as their climate change strategy. On remuneration, BHP confirmed that climate change was linked to 3-4% of total variable pay whereas safety linked to 10%. BNY Mellon fed back that given deaths linked to air pollution were significantly higher than those from industrial accidents, climate change should rank at least equally with safety. BHP confirmed they would implement measurable climate-change targets within its remuneration structure and provide full disclosure.
- **ASI** engaged with Procter & Gamble on risks associated with their supply chain, following concerns that one of their Malaysian palm-oil suppliers, FGV, being implicated in forced-labour abuses. Since the engagement, Procter & Gamble have declared that FGV must have their palm-oil certified by the Roundtable for Sustainable Palm Oil by the end of 2022.
- **Aviva** Investors engaged on several occasions with the management and board of Unilever, over their proposal to reorganise the business through a corporate restructure. While Aviva felt the business rationale for the reorganisation was well-reasoned, the chosen path to incorporate in Rotterdam, and the subsequent loss of the UK primary listing, would have seen large swathes of investors being forced off the share register in the process. Aviva expressed disappointment with the lack of a consultation and informed the board of their intention to vote against the proposal as it stood, however, Aviva found it quickly apparent that the board was fixed on their decision, necessitating the manager to explore alternative mechanisms of opposing the proposal, which they believed ran counter to shareholder interests. Following a review of the investor base, Aviva noted the unusually high number of retail investors and sought to engage them in the debate. This included their equities chief investment officer outlining concerns on national radio with a view of helping smaller shareholders to take an informed decision on the proposal. Ultimately, the opposition of retail investors proved to be decisive, and Unilever

withdrew the proposal prior to the shareholder vote coming to pass. In 2020, Unilever's new leadership team came back to the market with a revised restructuring proposal that would allow UK and Dutch investors to stay invested while achieving the goal of corporate simplification. The proposal was overwhelmingly supported by shareholders and, as a result, the company is better positioned from a governance perspective to modernise and grow.

- **Invesco** engaged with Woodside Petroleum on climate change matters, making it clear that they believe it is important that energy companies are able to give good justification for any significant increases in fossil fuel production. While Invesco believe the company's current philosophy of "gas as a transition fuel" is not without merit, Invesco made it clear that they believe the company needs to go further in terms of their climate ambition, making commitments similar to energy majors BP & Shell. Invesco will continue to engage with the company, and intends to participate in shareholder consultations to encourage the company to rethink their current strategy ahead of their 2022 AGM.

On behalf of the Trustee, Broadstone review and are comfortable with the investment managers' approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor. The Trustee notes that Broadstone are satisfied that the underlying investment managers' engagement activities and voting activity has been managed in line with their policies.

Broadstone, on behalf of the Trustee, also consider the investment managers' policies on stewardship and engagement when assisting the Trustee in selecting and reviewing investment managers.

### **Monitoring of Investment Arrangements**

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

Signed: Jane Whittaker

Date: 28 September 2021

**On behalf of the Trustee of the British Museum Company Limited Retirement Benefits Plan**

**September 2021**