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 2021 to 31 March 2022.

**Asset allocation as at 31 March 2022**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund</th>
<th>Actual Allocation</th>
<th>Target Allocation*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified Growth Funds</td>
<td>BNY Mellon Real Return Fund</td>
<td>22.1%</td>
<td>10.0%</td>
</tr>
<tr>
<td></td>
<td>Aviva Multi Strategy Target Return Fund</td>
<td>9.7%</td>
<td>15.0%</td>
</tr>
<tr>
<td></td>
<td>Invesco Global Total Return Fund</td>
<td>8.1%</td>
<td>15.0%</td>
</tr>
<tr>
<td></td>
<td>Standard Life** Global Absolute Return Strategies Fund</td>
<td>20.8%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Property</td>
<td>Standard Life** Long Lease Property Fund</td>
<td>18.6%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Absolute Return Bonds</td>
<td>Standard Life** Absolute Return Global Bonds Strategies Fund</td>
<td>3.3%</td>
<td>6.0%</td>
</tr>
<tr>
<td></td>
<td>BNY Mellon Global Dynamic Bond Fund</td>
<td>7.3%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Cash</td>
<td>Standard Life** Deposit and Treasury Pension Fund</td>
<td>10.1%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

* Target asset allocation in place before that agreed as part of the 2021 investment strategy review, which has not yet been implemented

**Standard Life Investments is a subsidiary of Standard Life Aberdeen plc group. The investment arm of the company operates as Abrdn.

**Strategy Review**

A full investment strategy review was conducted during 2021. As part of this review, it was identified that the Plan is expected to be a net disinvestor, with benefit payments expected to exceed contributions from the Employer under the current Schedule of Contributions. The Trustee agreed that the ability to generate and receive income from the Plan’s assets was therefore an important consideration and could be used to bridge the gap between the Plan’s income and expected outgoings.

The Trustee agreed to implement a revised strategic allocation which satisfied the following criteria:

- increased diversification in return sources by focusing on exposures to traditional asset classes;
- reduced reliance on active manager skill to generate investment returns;
- improved income generation to help close the current net cashflow shortfall;
- fewer overall number of funds, consistent with the Trustees’ desire to reduce the overall number of mandates, without materially compromising on the risk reduction achieved by diversification; and
- increasing exposure to funds with positive ESG characteristics.
The Trustee agreed to adopt a revised strategic allocation as set out in the table below:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategic Asset Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified Growth</td>
<td>67.5%</td>
</tr>
<tr>
<td>Multi-Asset Credit</td>
<td>15.0%</td>
</tr>
<tr>
<td>Property</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

The Trustee also agreed to implement the revised investment strategy through an investment platform provided by Mobius Life. The transition of the Plan’s existing assets to Mobius Life and the implementation of the new investment strategy and manager structure is expected to complete in the second half of 2022.

**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.

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

**Statement of Investment Principles**

The Trustee reviewed the Statement of Investment Principles (SIP) post year-end in June 2022 following the investment strategy review that took place during 2021. The SIP was previously updated in 2020 in order 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.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Actively or Passively Managed?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified Growth</td>
<td>Active</td>
<td>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.</td>
</tr>
<tr>
<td>Property</td>
<td>Active</td>
<td>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.</td>
</tr>
<tr>
<td>Absolute Bonds</td>
<td>Active&lt;br&gt;return</td>
<td>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 their 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.</td>
</tr>
<tr>
<td>Cash</td>
<td>Active</td>
<td>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.</td>
</tr>
</tbody>
</table>

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 its 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 party 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 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.

<table>
<thead>
<tr>
<th>Manager</th>
<th>Pooled or Segregated?</th>
<th>Third Party Proxy Voter</th>
<th>Resolutions Voted On</th>
<th>Resolutions Voted:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>For</td>
</tr>
<tr>
<td>BNY Mellon*</td>
<td>Pooled</td>
<td>ISS</td>
<td>794***</td>
<td>49%</td>
</tr>
<tr>
<td>Abrdn</td>
<td>Pooled</td>
<td>ISS</td>
<td>73,880***</td>
<td>85%</td>
</tr>
<tr>
<td>Aviva</td>
<td>Pooled</td>
<td>ISS</td>
<td>70,956**</td>
<td>73%</td>
</tr>
<tr>
<td>Invesco</td>
<td>Pooled</td>
<td>ISS</td>
<td>74,664***</td>
<td>87%</td>
</tr>
</tbody>
</table>
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** engaged with the head of total rewards and investor relations of the plumbing supply company Ferguson, to discuss remuneration following reduced shareholder support for the remuneration report at the last AGM. They questioned the board’s rationale in allowing significant bonus payouts in 2020 when c.6% of the workforce had been laid off. The company responded that the ability of the business to remain resilient in a difficult year was part of the board’s decision-making and whilst layoffs had been announced during the pandemic, these were not necessarily related to it and would have been carried out regardless. The company did share that transparency and detail in discussing rationale around remuneration would be an area of focus in future reports. Finally, on integration of sustainability goals into executive pay, the company responded that it was in the process of setting the next set of targets where ESG issues may also be considered.

In June 2021, the chair of the remuneration committee reached out to the shareholders with an update. The company confirmed that it would provide greater transparency and clarity around remuneration decision-making in 2021 annual disclosures and would undertake a review of Ferguson’s bonus policy and long-term incentive plan in the next remuneration policy review in 2022. The company’s commitment towards enhancing transparency and defining ESG KPIs in the remuneration policy made the engagement a success.

- **Abrdn** engaged with tobacco producer Philip Morris over its efforts to transition smokers to reduced risk products (RRPs) as well as longer-term efforts to diversify away from nicotine products. The company has set a target of 50% revenue generation from smoke-free products and also aims to switch 40 million smokers to RRPs. Recent acquisitions have also been made to generate revenues beyond nicotine, and the company demonstrates its commitment to developing policies consistent with best practice.

- **Aviva** Investors met with the Union Pacific Corporation and discussed the environmental, social and governance factors including employee engagement, health and safety, diversity, governance and remuneration. The company understands the key ESG opportunities and risks it faces. The company has made progress in relation to climate change and the environment with its carbon reduction targets being approved by SBTi. Aviva emailed the company, outlining their outstanding social and governance concerns.

Aviva also voted for a shareholder resolution that requested the board of directors adopt a policy requiring Union Pacific to disclose on its website its consolidated EEO-1 report (breakdown of its workforce by race, ethnicity and gender that the company is required to submit annually to the U.S Equal Employment Opportunity Commission (EEOC)). The company has now disclosed its EEO-1 reports from the past three years (2018-20), which has enabled better assessment of the effectiveness of its diversity initiatives and management of related risks.
Invesco has had an ongoing engagement with Origin’s management team over the past 3 years on the topic of indigenous relations. Several shareholder resolutions were filed at the 2021 AGM to understand the exploration activities in relation to sacred site protection and building relations with indigenous communities. This included participating in an investor roundtable and a direct engagement with the NGO filing the shareholder proposals. Invesco also met directly with the company. Following these engagements, Invesco decided to support the shareholder proposal requesting that Origin disclose more information as to which Native Title holders have consented to operations on their land as well as the nature of the agreements. In addition, Invesco supported both climate shareholder proposals, which requested that Origin both increase their lobbying disclosure, as well as commit to aligning their capital expenditures in accordance with the Paris Agreement.

None of the shareholder proposals received a majority, though the climate shareholder proposals received substantial support from shareholders (36% and 44%). The proposals related to indigenous communities received weak support from shareholders, with the highest proposal receiving 10% in favour.

At the follow up meeting, the company wanted to better understand the reasoning behind Invesco’s voting decisions and what they could do differently. The company appreciated the feedback and indicated they would take it on board. Invesco will continue to monitor any development on these topics ahead of the 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.

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. 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. Scores are presented in performance bands ranging from ‘A+’ to ‘E’ (where A+ is the highest grading). The latest UNPRI scores of the investment managers are outlined in the table below.

<table>
<thead>
<tr>
<th>Manager</th>
<th>UNPRI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon</td>
<td>A+</td>
</tr>
<tr>
<td>Abrdn</td>
<td>A+</td>
</tr>
<tr>
<td>Aviva</td>
<td>A+</td>
</tr>
<tr>
<td>Invesco</td>
<td>A+</td>
</tr>
<tr>
<td><strong>Median Manager Score</strong></td>
<td><strong>A</strong></td>
</tr>
</tbody>
</table>

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 the SIP are being met.

Signed: ___ Jane Whittaker ______

Date: ___ 1 September 2022 ______

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

September 2022