

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 August 2022 have been implemented. The SIP provides further background details on investment arrangements.

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

This Statement covers the period 1 April 2022 to 31 March 2023.

Investment objectives of the Plan

The objectives of the Plan are set out on page 3 of the SIP and are summarised below.

- 1. Funding Objective** - The primary funding objective of the Plan is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Plan members as and when these fall due.
- 2. Investment Objectives** - The Trustee's high level objectives with regard to investing the Plan assets are to:
 - achieve a return which is sufficient, over the longer term, to meet the Funding Objective.
 - adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

Stewardship policy

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

The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustee expects their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of their investment managers.

Review of the SIP and of the investment strategy

The Trustee reviewed the Statement of Investment Principles (SIP) 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 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 SIP.

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

During 2021, 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.

Review of the SIP and of the investment strategy (continued)

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:

Asset Class	Strategic Asset Allocation
Diversified Growth	67.5%
Multi-Asset Credit	15.0%
Property	17.5%

Following a Trustee meeting held in February 2023, the Trustee indicated that it would be supportive of exploring possible options to reduce risk in the current investment strategy by taking steps towards the longer-term objective of investing in lower risk assets that will provide a high level of cashflow matching relative to the projected liability cashflows. At the same time, this would aim to allow the Plan to 'lock in' some of the improvement in the funding position of the Plan following the favourable market conditions arising during 2022. The transition to the lower risk investment strategy has been agreed and is expected to be completed during the third quarter of 2023.

Investment managers and funds in use as at 31 March 2023

Asset Class	Fund	Actual Allocation	Target Allocation*
Diversified Growth Funds	BNY Mellon Real Return Fund	22.9%	10.0%
	Aviva Multi-Strategy Target Return Fund	10.6%	15.0%
	Invesco Global Targeted Returns Pension Fund	9.1%	15.0%
	Standard Life** Global Absolute Return Strategies Fund	20.2%	30.0%
Property	Standard Life** Long Lease Property Fund	15.4%	19.0%
Absolute Return Bonds	Standard Life** Absolute Return Global Bonds Strategies Fund	3.4%	6.0%
	BNY Mellon Global Dynamic Bond Fund	7.5%	5.0%
Cash	Standard Life** Deposit and Treasury Pension Fund	10.9%	0.0%
Total		100.0%	100.0%

*Target asset allocation as per the 2021 investment strategy review

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

Investment 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.

The Trustee has put in place strategic objectives for Broadstone, as the Trustee's investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in December 2019, and are due to be reviewed every three years i.e. by December 2022. The strategic objectives were reviewed in December 2022, though no changes were made to the objectives in place.

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

Trustee Policies

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

Requirement	Policy	Implementation of Policy
<p>Financially and Non-Financially Material Considerations</p>	<p>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 adjusted investment returns over the time horizon of the Plan. The Trustee adopts the following approach in relation to the Plan's investment strategy:</p> <ul style="list-style-type: none"> • In relation to funds where the investment manager is permitted to make active decisions about the selection, retention and realisation of investments the Trustee expects the manager, when exercising discretion in investment decision making, to take financially material ESG factors into account where permissible within applicable guidelines and restrictions. • On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the ESG integration capability of its investment managers and will periodically review the indices employed in index-tracking (passive) mandates. <p>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.</p>	<p>No deviation from this policy over the year to 31 March 2023 (see below)</p>

Trustee Policies (continued)

Requirement	Policy	Implementation of Policy
Voting Rights and Engagement	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. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of their investment managers.	No deviation from this policy over the year to 31 March 2023 (see below)

Financially and non-financially material considerations

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

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

Financially and non-financially material considerations (continued)

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

Asset Class	Actively or Passively Managed?	Comments
Diversified Growth	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.
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.
Absolute return 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 the investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
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.

Voting rights and engagement activities

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. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Plan's investments. The Trustee's stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

However, the Trustee periodically meets with their 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 their investment managers on these matters where they think this is in the best interests of members.

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

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.

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.

Voting rights and engagement activities (continued)

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	Fund	Resolutions Voted On	Resolutions Voted:		
					For	Against	Abstained
BNY Mellon*	Pooled	ISS	Real Return Fund	1,287	89%	11%	0%
Abrdn	Pooled	ISS	Global Absolute Return Strategies	232	82%	18%	0%
Aviva	Pooled	ISS	Multi-Strategy Target Return Fund	3,789	57%	42%	1%
Invesco	Pooled	ISS	Global Targeted Returns Fund	3,981	94%	6%	0%

*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.

Significant votes

Notable votes undertaken on the Trustee's behalf over the scheme year include the following:

Significant Vote 1 – BNY Mellon	
Company	Universal Music Group
Date	12 May 2022
% of portfolio invested in firm	c. 0.64% of Real Return Fund invested in company at date of vote
Resolution	Advisory vote to ratify named Executive Officers' compensation
Why significant	The vote provides an example of where a majority of the company's minority shareholders disagreed with a company's pay practices
How voted	VOTED AGAINST
Manager Comments	<i>Ahead of the vote, Newton did not inform the company of their intention to vote against the resolution.</i>
Vote outcome	The proposal was carried by 21.0% of shareholders.

Significant votes (continued)

Significant Vote 2 – Abrdn	
Company	The Kroger Co.
Date	23 June 2022
% of portfolio invested in firm	n/a
Resolution	Report on Efforts to Eliminate HFCs in Refrigeration and Reduce GHG Emissions
Why significant	The vote provides an example of “Environmental” within ESG responsibilities.
How voted	VOTED FOR
Manager Comments	<i>“We welcome the steps made by Kroger to reduce GHG emissions by 30 percent by 2030. Given the significance of HFC’s to the company Scope 1 emissions and costs associated with moving to gases with lower global warming potential, clear disclosure and plans to achieve this is in the interests of shareholders.”</i>
Vote outcome	The resolution was approved.
Significant Vote 3 - Aviva	
Company	Totalenergies SE
Date	25 May 2022
% of portfolio invested in firm	c. 1.02% of Multi-Strategy Target Returns Fund invested in company at date of vote
Resolution	Approve Company's Sustainability and Climate Transition Plan
Why significant	This vote was selected as the approach to climate is central to the investment case.
How voted	ABSTAINED FROM VOTE
Manager Comments	<i>Ahead of the vote, Aviva did inform the company of their intention to not vote in the resolution. “However, an abstention was warranted on this occasion as we still lack conviction that current disclosure of targets and emissions meet the goal of limiting global warming to 1.5 degrees, particularly when benchmarked to certain peers.”</i>
Vote outcome	The resolution was approved (89% of votes cast were in support).

Significant votes (continued)

Significant Vote 4 – Invesco	
Company	Intercontinental Exchange, Inc.
Date	9 May 2022
% of portfolio invested in firm	Greater than 1% of Global Targeted Returns Fund invested in company at date of vote
Resolution	Reduce Ownership Threshold for Shareholders to Call Special Meeting to 10%
Why significant	>1% Ownership and Includes Key ESG proposal
How voted	VOTED AGAINST
Manager Comments	<i>“A vote AGAINST this proposal is warranted given that the company currently provides shareholders with the right to call special meetings and the proposed ownership threshold for shareholders to call a special meeting is below 20%.”</i>
Vote outcome	The resolution was not approved.

Engagement activities

The notable engagement activities of the investment managers are provided below:

- **BNY Mellon** (Newton) engaged with Unilever in relation to health in collaboration with the Healthy Markets initiative. The engagement focused on the impact of an activist investor joining the company’s board on the company’s strategy around ESG and nutrition. The general takeaway was that the investor’s presence would not change the strategy, and that nutrition remains a priority and has been elevated within the company’s ESG and sustainability strategy.
- **Abrdn**, as a longstanding shareholder in several leading UK housebuilders, have been closely monitoring and engaging with companies on their response to fire safety concerns in the aftermath of the tragedy at Grenfell Tower. Based on their research and meetings with management teams, Abrdn wrote to nine investee companies in January 2022 and then again in February, asking them to increase their public disclosure of several data points on their outstanding exposure to these fire safety challenges, and any remediation work underway. The aim of this request was to enhance transparency and comparability across the industry. This engagement also included request for Abrdn’s investee companies to join a pledge to remediate fire safety issues in their schemes constructed in the past 30 years.
- **Aviva** engaged with Boohoo, an example of a ‘Fast Fashion’ entity where there have been growing concerns over the environmental footprint and labour conditions of business models, as evidenced by recent findings and public controversies. Aviva discussed its approach to purchasing practices and supplier relations, as well as its strategy to reduce its environmental footprint. These included considerations of labour costs and living wages in supply chains, supply chain monitoring and engagement, recycled content in garments, sustainable materials, water use and chemical pollution. Aviva welcomed the increased level of awareness of sustainability issues, with the company publishing new targets on social and environmental issues. However, they continue to have concerns over Boohoo’s purchasing practices, and are unlikely to invest in the company.

Engagement activities (continued)

- **Invesco** engaged with a UK utilities company six times during 2022, to discuss the energy transition and affordability of energy bills, battery storage, hydrogen, and the company's involvement in bidding for offshore wind in North America. The company was able to describe some geothermal pilot schemes they are running related to their overall Geothermal Program Implementation Plan, designed to explore how geothermal networks can be used to assist with mitigating constraints with current gas systems. Invesco are planning on continuing engagement with the company to ensure that they remain aligned with energy transition goals and sustainability opportunities.

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.

Manager	UNPRI Score
BNY Mellon	A+
Abrdn	A+
Aviva	A+
Invesco	A+
<i>Median Manager Score</i>	A

The Trustee also considers the investment managers' policies on stewardship and engagement when 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: 8 August 2023

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

August 2023