Believe in children
Barnardo's

Implementation Statement, covering the Scheme Year from 1 April 2023 to 31 March 2024

The Trustees of the Barnardo Staff Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. These policies were formally reviewed in December 2022. The SIP was updated in March 2024 to reflect updated expected return assumptions for the Scheme's assets.

The Trustees have, in their opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following sections provide detail and commentary about how and the extent to which it has done so.

2. Voting and engagement

With the exception of the LDI allocation, the Scheme's assets are entirely invested in pooled funds. As a result, the Trustees do not have the ability to exclude particular holdings or sectors, nor can the Trustees choose how the managers of pooled funds vote. Hence the Trustees delegate the exercise of rights attaching to investments, including voting rights and engagement to the Scheme's investment managers.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

In the previous Scheme year in response to the guidance on investment stewardship issued by the Department for Work and Pensions (DWP), the Trustees made the decision to establish specific stewardship priorities for the Scheme. These priorities, which were carefully selected by the Trustees, encompassed two key areas: Climate Change and Protecting Children from Harm. The Trustees continue to monitor the Scheme's investment managers against these stewardship priorities.

In April 2023, the Trustees took proactive steps to communicate their stewardship priorities to the investment managers. This was achieved by implementing an Expression of Wish Letter, which clearly articulated the stewardship priorities and expressed a preference for the managers to become signatories of the Principles for Responsible Investment, UK Stewardship Code, and Net Zero Asset Manager Initiative. Within the Expression of Wish Letter, the Trustees also detailed the Scheme's expectations of the managers.

These expectations included incorporating the Trustees' priorities into their investment decisions, refraining from investing in entities that harm children or have a negative impact on climate change, and providing the Trustees and their investment advisors with information regarding their stewardship policies for monitoring purposes.

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The Trustees conducted their annual review of the Scheme's investments over the year to confirm if there were any material exposures to companies that derive revenues from major arms producers, tobacco, pornography or the exploitation of children in the manufacture, production or delivery of their products. Following this review and subsequent discussions with the investment managers, the Trustees were comfortable that the Scheme had no material exposures to any such companies.

In 2023, the review of exposures found that M&G's Sustainable Total Return Credit Fund (STRCI) has exposure to companies that may undertake activities deemed to be to the detriment of children. Specifically, two companies (Heinz and Danone) that do not comply with the World Health Organisation's International Code of Marketing Breast-Milk substitutes in the Third World. The review in 2024 revealed that the STRCI's exposure to these companies reduced from 0.40% to 0.19%. M&G's responsible investment team has confirmed that it is comfortable that the two companies are taking appropriate steps to abide by the requirements of the Code and are taking steps to become compliant with the code by 2030, a timeline put forward by UNICEF. The Trustees were comfortable that no further action was required, noting in particular that the holding is very small in the context of the Scheme's total holdings, constituting less than 0.004% of the overall Scheme assets.

Following news that Walgreens Boots Alliance broke rules surrounding the law to advertise infant formula for babies up to six months old, the Trustees ascertained the level of exposure the Scheme had to related companies in the Alliance. The Trustees felt this was important to assess, as it goes directly against one of the Scheme's stewardship priorities, Protecting Children from Harm. It was confirmed that none of the funds the Scheme invests in had exposure to the Walgreens Boots Alliance.

The Trustees regularly invite the Scheme's investment managers to present at Trustee meetings, seeing each manager approximately once every two years, or more frequently for larger mandates or after significant manager developments.

Over the Scheme year, the Trustees met with GreenOak and M&G to discuss the Scheme's investments. The Trustees asked several questions about the managers' voting and engagement practices to check alignment with its own stewardship priorities and responsible investment preferences. Both managers confirmed they are incorporating ESG factors into their investing.

GreenOak stated that it will not lend on a commercial property unless it meets best in class energy efficiency and sustainability standards. Further, GreenOak use BREEAM, the most common certification for Green Buildings and a recognisable accreditation, when deciding whether to lend to a developer. The framework considers sustainability measures and provides a level of how efficient a building is, whilst also considering social amenities.

M&G excludes companies from its sustainable investment universe that do not meet sustainability standards, which cover a range of factors. Further, M&G has agreed a new internal ESG rating framework for its ABS holdings.

The Trustees are conscious that responsible investment, including engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Scheme Year

The SIP notes that the Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights. In practice, the Scheme does not invest directly in equities, or any pooled funds which hold primarily listed equities and therefore the Trustees expect few, if any shareholder votes to be cast on their behalf. The Scheme's equity exposure is achieved "synthetically" through derivatives. For this synthetic equity exposure, the Scheme does not own shares in the underlying companies, nor does it have voting rights.

The Trustees contacted the Scheme's other investment managers (which do not hold listed equities) to ask if any of the assets held presented voting opportunities over the period. The investment managers confirmed that there were no voting opportunities due to the nature of the assets.

Please note this does not include the AVC investments, on materiality grounds. These assets are not considered significant in size, in relation to the overall investments of the Fund.