

# Implementation Statement, covering the Scheme Year from 1 April 2024 to 31 March 2025

## Member background

Collectively, UK pension schemes represent billions of pounds of investment. These assets are often held by schemes for a very long time, meaning that collectively trustees of pension schemes have the theoretical ability to drive long-term thinking by companies by engaging with them. This long term view should help to drive better long term decision-making by companies, which would help the economy, society, and create sustainable value for members.

This document is the Scheme's Implementation Statement. An Implementation Statement has to be produced every year which sets out how the Trustee is doing compared to the investment principles it set out. The Trustee updated the Statement of Investment Principles earlier this year. That document is available on the Scheme's website at <https://www.barnardostaffpensionscheme.co.uk/document-library/statement-of-investment-principles-march-2025>.

**The Trustee has, in its opinion, followed the policies in the Scheme's SIP during the Scheme Year.** The following sections provide detail and commentary to evidence how the Trustee has done this and the extent to which it has done so.

- In Section 1 the Trustee lists the updates to the Statement of Investment Principles.
- Section 2 shows how, and to what extent, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year.
- Section 3 includes a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. It is a legal requirement to include this, but voting rights sit with shareholders who have 'equity' in a company. As the Scheme does not invest directly in physical equities, or any pooled funds which hold primarily listed equities, the Trustee does not expect any votes to be cast on its behalf.

In preparing the Statement, the Trustee has 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.

By law, the Trustee of the Barnardo Staff Pension Scheme (the "Scheme"), along with similar pension schemes, is required to publish both a Statement of Investment Principles and an Implementation Statement, which sets out the Trustee's approach to investing. These documents follow a set format and must be available for members to view.

## 1. Updates to the Statement of Investment Principles

The SIP was updated three times over the Scheme Year, in June 2024, November 2024 and March 2025.

The SIP was updated to reflect:

- A change in strategy in June 2024, following the Scheme hitting a de-risking trigger;
- The move to a corporate Trustee structure in November 2024; and
- A change in strategy in March 2025, following the Scheme hitting a de-risking trigger.

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.

## 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 Trustee does not have the ability to exclude particular holdings or sectors, nor can the Trustee choose how the managers of pooled funds vote. Hence the Trustee delegates 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 2022, in response to the guidance on investment stewardship issued by the Department for Work and Pensions (DWP), the Trustee made the decision to establish specific stewardship priorities for the Scheme. These priorities, which were carefully selected by the Trustee, encompassed two key areas: Climate Change and Protecting Children from Harm. The Trustee continues to monitor the Scheme's investment managers against these stewardship priorities.

In April 2023, the Trustee took proactive steps to communicate its 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 Trustee also detailed the Scheme's expectations of the managers.

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

The Trustee conducted its 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 Trustee was comfortable that the Scheme had no material exposures to any such companies.

In 2023, the initial review of exposures found that M&G's Sustainable Total Return Credit Fund (STRCI) had 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%. In 2025 the exposure had reduced further, down to 0.10%, with STRCI now only investing in Danone, having disinvested from Heinz.

M&G's responsible investment team has confirmed that it is comfortable that Danone is taking appropriate steps to abide by the requirements of the Code and to become compliant with the code by 2030, a timeline put forward by UNICEF. The Trustee was comfortable that no further action was required, also noting that this allocation is very small in the context of the Scheme's total holdings, constituting around 0.002% of the Scheme's overall assets.

The Trustee regularly invites 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 Trustee met with Insight and Aviva to discuss the Scheme's investments. The Trustee 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.

Insight presented at the August 2024 IFC meeting and discussed ESG within both the LDI mandate and credit funds.

Insight takes ESG factors into consideration through the LDI mandate when onboarding counterparties, and undertake an ongoing review process whereby a questionnaire is sent out to each counterparty, responses are ranked, and engagement pursued based on responses.

Further, Insight uses the sovereign ESG model (through which the UK ranks strongly) as part of its LDI ESG process. The engagement process focuses on working with governments and industry wide groups to achieve action, as it is not possible to divest and move away from gilts. Insight therefore engages with the UK Government to hold it accountable to net zero targets, for example.

Within its credit mandates, Insight is continuing to prioritise the gathering of carbon data. The focus on ABS is around ensuring that social and governance metrics are managed and understood. It was noted that there is a lack of coordination and regulation across the industry, which reduces the availability of standardised information and granular data.

Aviva presented at the February 2025 IFC meeting. ESG was covered in the presentation material provided by Aviva, it was concluded that Aviva is strong regarding ESG matters, and there is lots of scope to enact positive change going forwards.

Aviva's Energy Performance Certificate (EPC) ratings were noted, with Aviva setting a target of 90% of property investments to hold an A or B rating within 12 months, and no properties rated below C in the next two years. Aviva is working with tenants to improve the EPC rating of properties, or actively look to sell properties if the tenant is not interested in improving the EPC rating.

Results from LCP's 2024 Responsible Investment (RI) Survey were discussed in February 2025. This assessed the Barnardo Staff Pension Scheme's investment managers across five key areas: ESG foundations, net zero alignment, engagement practices, systemic stewardship, and voting (where applicable). Each manager was assigned a red/amber/green rating to reflect LCP's assessment of their performance in these areas. The findings highlighted areas for improvement, particularly in relation to net zero strategies and stewardship practices.

As a result, LCP recommended that the Trustee engages directly with all of its managers to address specific concerns. The survey reinforced the importance of responsible investment in managing financial risks and meeting regulatory expectations. It also provided a structured framework for the Trustee to monitor progress, engage with managers, and escalate concerns where necessary to support continuous improvement in RI practices.

As a result, the Trustee wrote to managers in March 2025. Following this Trustee's engagement, all investment managers responded with updates on their responsible investment practices.

- Insight reaffirmed its net zero commitment, with 77% of assets aligned, but further clarity is needed on transition planning and stewardship.
- M&G outlined broader RI training, biodiversity engagement, and policy advocacy, indicating stronger activity than initially reported.
- Aviva provided examples of nature-positive initiatives and ESG integration, though fund-level net zero targets remain absent.
- GreenOak acknowledged areas for improvement and has begun enhancing engagement tracking and collaboration.

The Trustee was comfortable with the responses provided, but will continue to monitor each managers' progress in future years.

The Trustee is conscious that responsible investment, including engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims 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 Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights. In practice, the Scheme does not invest in physical equities, or any pooled funds which hold primarily listed equities, and therefore the Trustee does not expect any votes to be cast on its 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 Trustee 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.

### **Further information**

The Scheme website (<https://www.barnardostaffpensionscheme.co.uk>) includes useful information, including:

Last year's Implementation Statement ([2024 Implementation statement](#))

The latest Statement of Investment Principles ([Statement of Investment Principles March 2025](#))