Implementation Statement

Bank of Baroda (1976) Pension and Life Assurance Scheme

31 December 2023

1. Introduction

Under regulatory requirements, the 2019 Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"), trustees are required to prepare and review an implementation statement outlining their approach and stewardship dealing with certain specific matters with regards to their Environmental, Social and Governance (ESG) principles outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets of the Bank of Baroda (1976) Pension and life Assurance Scheme (the Scheme). In preparing it, the Trustees obtained written reporting on these matters from Goddard Perry Actuarial as their investment consultants.

2. ESG Principles

Environmental, Social and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest. The Trustees also acknowledge that where pooled index fund vehicles are employed which track composite market indices, it is not always possible to take ESG considerations into account due to the nature of the investment.

In principle, the Trustees believe that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expects its fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process.

The Trustees' views that the stewardship responsibilities attached to the ownership of shares is important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares (including across passive equity mandates). Managers are expected to be signatories to the FRC UK Stewardship Code.

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations which expand the requirements for Statements of Investment Principles such as this. To be compliant with these regulations, the Trustees have set further ESG policies.

The Trustees' policies are set out below:

- How they incentivise their appointed investment managers to align investment strategy and decisions with the trustees' policies, including risk, return and ESG.
  The Scheme invests solely in pooled funds where fees charged are a combination of fixed fees and a proportion of the assets under management. There are no performance-related components of the fees.
  The only incentivisation that the Trustees can exert is through the decision to retain or to liquidate their holdings in each fund.

The investment strategies of the pooled funds are aligned to the Trustees' investment objectives by selecting funds with suitable characteristics:

- Benchmarks
- Risk budgets
- Constraints
- Approaches (this includes ESG where appropriate)

The Trustees maximise the probability of its investment objectives being met by selecting an appropriate and Scheme-specific combination of such funds with advice from their investment consultant.

- **How the asset manager is incentivised to make decisions on assessments about medium to long term financial and non-financial performance of an issuer of debt or equity. Also, how the managers are incentivised to engage with the issuers in order to improve their performance.**

  Active fund managers are retained subject to, amongst other criteria, achieving adequate medium- to long- term performance. In order to do so, they will need to make assessments about the medium to long term financial performance of debt and equity issuers. They will also need to assess non-financial performance in as much as it may be a source of risk.

  It also incentivises them to engage with issuers where this is in the financial interests of the Scheme (i.e. where it will make a material impact on the performance of the fund).

  Passive fund managers are not expected to make assessments about the financial or non-financial performance of the issuers of securities they invest in.

- **How the method and time horizon of the evaluation of managers' performance and remuneration are in line with the trustees' policies.**

  The Trustees receive quarterly reports from the fund managers and quarterly analysis from their investment consultant. The investment consultant takes into account the performance of the fund managers but does not restrict their analysis to performance alone. However, given these funds are passively managed, the performance is expected to be broadly in line with the benchmarks.

  Performance is compared to the benchmark and tracking error target of each fund, in order to ensure that this is in alignment to the objectives and policies of the Trustee.

  In selecting pooled funds, the Trustees and their investment consultant take into account the fees charged by the fund manager. These are judged in terms of value for money given the nature of the fund, particularly the asset class and outperformance target.

  Fund managers need to give the Trustees notice if they plan to change the level of the fees. If this occurs, the Trustee seeks advice from its investment consultant on whether to retain or replace the manager.

- **How the trustees monitor portfolio turnover costs incurred by the manager/s (and how they define and monitor targeted portfolio turnover or turnover range).**

  Given the size of the Scheme's investment it would not be cost effective to monitor the turnover or turnover costs directly. The performance figures that the Trustees and its investment consultant analyse are net of transactions costs, so this is taken into account indirectly.
  The Trustees do not believe that they should micro-manage the level of turnover provided that the net outcome to the Scheme is acceptable.

- The duration of their arrangement with the asset manager.
  In order to maintain an incentive for the fund manager to performance well, the Trustees do not enter any fixed term arrangements with their manager. Investments in each pooled fund are only retained for as long as the aim of the fund is consistent with the overall investment objectives of the Scheme, and the Trustees have confidence that the fund managers can credibly deliver that aim in a cost-effective manner.

The Trustees have employed the use of the investment consultant to ensure that fund managers align its investment strategy and decisions with the Trustees policies by:

- Reviews of fund managers
  Goddard Perry Actuarial, as the Scheme's investment consultants, will regularly review the fund managers at least every 3 years, in line with the triennial actuarial valuation cycle. Appropriate weight will be given to ESG factors in the appointment of fund managers that they be reviewed at regular but appropriate intervals for this size Scheme. This will ensure that the fund managers are appropriately incentivised to align its investment strategy and decisions with the Trustee's policies. The ability to demonstrate this will determine the duration of the arrangement of the fund manager. The Trustees did not formally review the provision of fund management services during the period. As part of fund manager selection advice, in-person discussions are held between the investment consultant and fund managers reviewed where the fund managers processes are evaluated and reported back to the Trustees. The Trustees last received fund manager selection advice in 2021. Investment monitoring is currently being discussed with the investment consultant where the performance of the individual managers is assessed and discussed. Once investment monitoring is in place, the investment consultant will report through the investment monitoring whether are any concerns in the fund managers processes over the year period as well as a rating. The fund rating is a result of reviewing the fund managers philosophy, processes, ESG integration, team and risk management.
- The asset manager reports over the periods on its stewardship and voting behaviour over the period:
  Monitoring Stewardship
  Each manager has provided details of their ESG and Stewardship policies which can be found on the Association's website. This includes whether or not they are signatories to the UK Stewardship code and UN Principles for Responsible Investment (UN PRI). The UN PRI are a set of global best practices that provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices.
  Monitoring Voting behaviour
  Each manager has, where relevant, provided details of their voting policies which can be found on the Association's website.
  The Trustees' policy is to delegate the exercise of voting rights to their managers and to disclose information on the voting decisions made by their managers. The Trustees will review the voting behaviour of the managers regularly to check that they are comfortable with the decisions taken by the managers and their approach generally. The investment consultant has reviewed and disclosed this information later within this report.

Further information on the Trustees' policies can be found in the latest SIP dated September 2023.

In the Trustees' opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 31 December 2023.

The following pages illustrate how the Trustees, through their fund managers, have followed their stewardship and engagement policies.

3. Investments Attitudes to ESG

<table>
<tr><th>Fund Manager/Fund</th><th>ESG Description</th></tr>
<tr><td>LGIM</td><td></td></tr>
<tr><td>Matching Plus 2035 Fixed Fund

Matching Plus 2050 Fixed Fund

Matching Plus 2045 Real Fund</td><td>

• Fund Manager Overview
LGIM’s ultimate goal is to protect and enhance the investment returns generated by their clients’ assets whilst aiming to have a long standing commitment to raising corporate governance and sustainability standards to ultimately enhance the value of companies in which they invest.

LGIM has publicly committed to the following three goals as part of their five-year strategic plan:
• Influencing the transition to a low-carbon economy
• Making society more resilient with our financial solutions
• Creating new investments for the future economy

Further information on how they can receive these goals is publicly available on the parent company Legal & General Group plc’s reporting on corporate responsibility.

https://group.legalandgeneral.com/en/sustainability/sustainability-reporting-centre

• ESG Integration
LGIM uses a bottom-up and a top down approach to monitoring and analysis as well as using ESG information that comes out from engagement meetings with companies. LGIM’s ESG scoring tool assesses companies in 17 different sectors on their disclosure, policies and processes for managing ESG risks. LGIM has set up three long-term thematic working groups (demographics, energy and technology) that undertake top-down research and analysis of macroeconomic issues, related to responsible investment and ESG. The direct engagement with companies is a way LGIM seek to identify ESG risks and opportunities. LGIM have an escalation policy to tackle difficult and inter-connected ESG issues that materially impact the value of assets.

LGIM have an Active ESG View tool which forms an essential component of the overall active research process. The tool brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities embedded within each company. ESG risks vary across sectors and therefore the proprietary tool LGIM have developed evaluates sector specific ESG factors, spanning 64 specific sectors and sub-sectors. LGIM incorporate a qualitative approach on top of this as data alone may not tell the full story.

• Active Ownership (1 year to 31 December 2023)

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Fund Manager/Fund	ESG Description

	Matching Plus 2035, 2050 Fixed and 2045 Real Funds
	
	The funds invested with LGIM by Bank of Baroda do not have voting rights given the instruments in which they invest. Gilts and Index-Linked Gilts do not have a mechanism in the market for voting. Environmental and social issues are not applicable either.
	
	LGIM aims to embed ESG where appropriate. Following a research meeting with LGIM on their LDI ranges, we could expect to see a flexible incorporation of green gilt(s) in LDI mandates. These may be tailored to client specific ESG objectives, such as targeting a minimum proportion in green gilts. LGIM also considers how ESG is incorporated in their choice of counterparties, which they use by reviewing quantitative and qualitative factors as well as overall governance.
	
	In Q1 2023, LGIM voted against the resolution and against the management of Air Products and Chemicals, Inc for the election of Edward L Monser as director. LGIM identified a lack of gender diversity on the all-male executive committee. Although 90% of shareholders voted in favour of the resolution, LGIM will continue to engage with companies on gender diversity.
	
	A further case study in Q2 2023 looks at the company Toyota Motor Corp. LGIM voted for the resolution of corporate climate reporting, in line with the Paris Agreement, against the management. Although only 15% of shareholders voted for the resolution, LGIM will continue to engage with the company on climate policy alignment and governance.
	
	Another case study looks into FedEx Corporation. In Q3 2023 LGIM voted for the resolution to adopt a paid sick leave policy, against the management recommendation. LGIM believes that this vote was significant because it relates to human capital management issues. Around 34.6% of shareholders voted in favour of the proposal.
	
	In Q4 2023, LGIM voted for the resolution to elect David Ross as director, in line with the Charter Hall Group management. The company responded well following LGIM's notifications about their lag in minimum expectations on the Climate Impact Pledge Score, resulting in renewed confidence in the management. Around 92% of shareholders voted in favour of this resolution.
	
	• **References**
	  o LGIM – ESG Impact Reports, Quarterly Engagements Reports
	    - Q1 2023
	    - Q2 2023
	    - Q3 2023
	    - Q4 2023

Fund Manager/Fund	ESG Description
BlackRock	
BlackRock Life Aquilla Connect Emerging Markets Equity Fund BlackRock Life Aquilla Connect (50:50) Global Equity Fund BlackRock Ascent UK All Stocks Corporate Bond Fund Buy & Hold	• Fund Manager Overview BlackRock claim responsible investment is an area they take extremely seriously. They believe responsibly managed companies are better placed to achieve sustainable competitive advantage and provide strong long-term growth. They believe that companies and their boards should be accountable to shareholders and structured with appropriate checks and balances. BlackRock vote on principles that cover seven key themes, these are: • Boards and directors • Auditors and audit-related issues • Capital structure, mergers, asset sales • Compensation and benefits • Environmental and social issues • General corporate governance matters and shareholder protections • Shareholder proposals • ESG Integration BlackRock believe that well-managed companies will deal effectively with material ESG factors relevant to their business and appropriate risk oversight of ESG considerations stems from this. BlackRock views the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the standards put forward by the Sustainability Accounting Standards Board (SASB) as appropriate and complementary frameworks for companies to adopt for the disclosure of financially material sustainability information. They ask companies to disclose the identification, assessment, management, and oversight of sustainability-related risks in accordance with the Four pillars of TCFD as well as publish SASB-aligned reporting with industry-specific, material metrics and rigorous targets. BlackRock believes that climate change has become a defining factor in companies' long-term prospects. They expect every company to help their investors understand how the company may be impacted by climate-related risk and opportunities, and how they are considered within strategy. Specifically, they expect companies to articulate how they are aligned to a scenario in which global warming is limited to well below 2°C and is consistent with a global aspiration to reach net zero GHG emissions by 2053.

Fund Manager/Fund	ESG Description
	• **Active Ownership across all eligible BlackRock funds (1 year to 31 December 2023)** BlackRock over the period for the Aquilla Connect Emerging Markets Equity Fund: • were eligible to vote on 23,247 resolutions. • voted on 22,947 (98%) resolutions on the behalf of their clients. • voted with management 22,947 (87%) times, against management 2,835 (12%) times and abstained on 639 (2%) of the votes.* BlackRock over the period for the Aquilla Connect (50:50) Global Equity Fund: • were eligible to vote on 33,994 resolutions. • voted on 33,500 (98%) resolutions on behalf of their clients. • voted with management 31,802 (94%) times, against management 1,698 (5%) times and abstained on 116 (0%) of the votes.* BlackRock over the period for the Ascent UK All Stocks Corporate Bond Fund: • engaged in 185 different instances. • engaged with 74 individual companies. • The majority of engagements were categorised as Climate Risk Management and Corporate Strategy, with 172 out of the 185 engagements being in this classification. * Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management. One case study looks at Shell plc and BlackRock's engagement with the company regarding the approval of the 'Shell Energy Transition Progress'. BlackRock voted in line with management for the proposal, as they believe that the company continues to provide a clear assessment of their plans to manage climate-related risks and opportunities and has demonstrated continued delivery against their Energy Transition Strategy. Another case study looks at the company Zhejiang Expressway, in which BlackRock voted for a resolution regarding Rights Issues, in July 2023, in line with the Board. In advance of the voting, Blackrock engaged with the company and assessed that the rights issue was based on fair terms and valid business justifications, and was aligned with their client's long term economic interests. BlackRock considers a company's capital structure to be critical to shareholders as it can have a direct impact on the value of their investment.

Fund Manager/Fund	ESG Description
	• **References** More information on BlackRock ESG policies and principles can be found in their document called "BlackRock Investment Stewardship Global Principles." ○ https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf ○ https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins ○ BlackRock Fund Engagement Reports - AQHPEMTTL - ASCALLTTL - BHPGEQTTL ○ BlackRock Voting Statistics - AQHPEMTTL - BHPGEQTTL ○ BlackRock Investment Stewardship

Fund Manager/Fund	ESG Description
Aegon	
Active Beta Property Fund	• **Fund Manager Overview** Aegon Asset Management are committed to active, engaged and responsible investment. Their approach to responsible investment is made up of three pillars; ESG integration, active ownership and focused responsible investment solutions. Aegon's ESG reports for the Active Beta Property Fund consist of the following components, as part of their commitment to responsible investment: • ESG integration and characteristics • GRESB portfolio overview (ESG profile scores by an independent global ESG benchmark) • Environmental characteristics • Energy ratings • Building certifications • Active ownership activities • **ESG Integration** Aegon's active ownership across all funds available consists of four key pillars: • Screening and monitoring – evaluation of holdings against certain ESG parameters • Engagement – entering into dialogue with an entity in with Aegon holds a stake • Voting – on proposals in general meetings of companies in which shares are held in portfolios managed by an Aegon entity • Shareholder litigation As part of Aegon's investment process for the Active Beta Property Fund, they monitor, select, and allocate to externally managed property funds based on their proprietary research. The monitoring and analysis of the strategies and performance of financially material ESG factors in underlying property funds form a key part of their investment process. Aegon use data provided by GRESB as a framework to measure, understand and compare ESG performance and risks of the property funds we invest in. Aegon aims to: • Encourage the reduction of UK real estate's carbon footprint by engaging with and encouraging real estate investment managers to improve sustainability best practices and explore how pathways to net zero can be achieved. • Encourage activities contributing to sustainable growth, inclusion and health and wellbeing.

Fund Manager/Fund	ESG Description
	• Ensure real estate managers comply with the AREF Code of Practice and maintain the highest standard of corporate governance. • **Active Ownership Active Beta Property Fund (year to 31 December 2023)** Aegon aspire to influence positive change by engaging in dialogue with property managers, either bilaterally or as part of an investor consortium. This dialogue can provide opportunities to highlight ESG risks, inform management of sustainability concerns, or advocate for changes that align with responsible investment standards and best practice. By spearheading engagement and exercising voting rights, they use their voice and actions to try to effect positive change. • **References** ○ Aegon – Active Ownership Policy