

BSS Group Pension Scheme

Implementation Statement for the year ended 30 September 2024

Purpose

This Implementation statement provides information on how, and the extent to which, the Trustee of the BSS Group Pension Scheme ("the Scheme") has followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities have been followed during the year ended 30 September 2024 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Latest review of the Statement of Investment Principles

The latest version of the Scheme's SIP came into effect in August 2023 and was applicable during the reporting year.

Investment-related activity during the reporting year

Asset allocation / fund reviews

In understanding that asset allocation plays an important role in achieving investment objectives, the Trustee regularly monitors the asset allocation of the Scheme to ensure that this is in line with their current investment objectives.

Near the end of the reporting period, the Scheme's Investment Management Agreement ("IMA") with Insight was updated and subsequently implemented with the following changes:

- The Trustee implemented a new cashflow benchmark reflecting the preliminary assumptions of the 2023 Actuarial Valuation and updated its target hedging objective to 100% of changes in interest rate and inflation expectations measured against low dependency liabilities (Gilts + 0.5% p.a.).
- The Trustee implemented a share class conversion on the Insight Secured Finance Fund to an Income Plus share class to increase income distributions and therefore help reduce cashflow disinvestments required to meet outgoing cash outflows from the Scheme.
- The Global ABS Fund was included within the collateral waterfall managed at Insights discretion. On 30 September 2024, £20m of surplus liquidity from the LDI portfolio was subsequently invested into the Global ABS Fund. The proceeds settled post year end on 1 October 2024.
- The sustainability guidelines were also refined to ensure that any changes are applied explicitly to new purchases only, to reduce the amount of portfolio turnover and transaction costs in the short term.

Near the end of the reporting period, the Scheme's IMA for the Segregated Buy & Maintain Credit Fund with RLAM was also updated to allow RLAM the discretion to opportunistically disinvestment from all unrated bonds that are deemed ineligible. Similarly with Insight, the sustainability guidelines were also refined to ensure that any changes are applied explicitly to new purchases only, to reduce the amount of portfolio turnover and transaction costs in the short term. These guidelines have been agreed with the Trustee and will be implemented in the following reporting period.

Ongoing governance

The Trustee, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement.

During the year the Trustee met with their investment manager Insight to discuss the performance of their investments, and ESG was a topic at these discussions. The managers reiterated their approach towards engagement and provided evidence of engagement taking place within the relevant funds that was deemed by the Trustees to be at a satisfactory level. Moreover, The Trustee produces a Task Force on Climate Related Disclosures (TCFD) report which requires engagement examples from the Investment Managers.

Trustee training

Over the course of the reporting year, the Trustee also received training on the following investment topics:

- Environmental, Social and Governance ("ESG") and sustainability considerations.
- Taskforce for Climate Related Financial Disclosures (TCFD) and recommendations.

How the SIP has been followed during the year

The Trustee has various investment policies for the Scheme on the topics listed in the tables below; the tables also provide commentary on how and the extent to which the various policies were followed during the reporting year

Policy	How the policy was followed
<p>Scheme governance</p> <p>The Trustee's policy is to be accountable for the investment of the Scheme's assets and has the responsibility to manage the Scheme's affairs effectively. The Trustee decides what to delegate after considering whether they have the necessary skills, knowledge, and professional support to make informed and effective decisions. The Trustee delegates some aspects of the Scheme's investment arrangements to third party service providers, in order to manage the Scheme's affairs effectively. The Trustee retains overall responsibility and decision-making power over investment objectives, implementing the investment strategy, the target level of risk and return, investment strategy (the allocation between the main asset classes) and whether to invest in new asset classes.</p>	<p>The Trustee continues to work closely to ensure their policies are met. This includes obtaining written advice from their investment advisors where required. The investment managers are responsible for the day-to-day management of the Scheme's assets in accordance with the mandates agreed with the Trustee.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

<p>Investment Objectives</p> <p>The Trustee's primary investment objective is to invest the Scheme's assets, within an agreed risk profile, in such a manner that members' benefit entitlements can be paid as and when they fall due.</p>	<p>The Trustee regards the funds held in the DB Section to be appropriate by incorporating assets of appropriate income and liquidity to meet the Trustee's overall investment objectives and to aim to ensure members' benefits can be paid as they fall due.</p> <p>During the reporting period, the Trustee agreed to increase the allocation to the Insight ABS Fund. Post quarter end, the Global ABS Fund was introduced and included within the collateral waterfall managed to Insights discretion.</p> <p>During the reporting period, the Trustee implemented a new cashflow benchmark reflecting the results of the 2023 Actuarial Valuation and updated their target hedging objective to 100% of changes in interest rate and inflation expectations measured against low dependency liabilities (Gilts + 0.5% p.a.).</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Risk and Return</p> <p>The Trustee's targets a return consistent with the assumptions made in determining the Scheme's Technical Provisions. The Trustee's policy is to invest in a diversified portfolio of return seeking assets and liability matching assets to meet that level of return at controlled levels of risk.</p>	<p>The funds held by the DB Section incorporated both return seeking assets (e.g. buy and maintain credit, secured finance) and liability matching assets (Liability Driven Investments).</p> <p>The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Diversification of risks</p> <p>The Trustee seeks to spread risks across a range of different sources. They consider the following risks, which they consider as financially material to the Scheme over its anticipated lifetime.</p> <ul style="list-style-type: none"> - Interest rate risk - Inflation risk - Credit risk - Currency risk - Other price risk - Environmental, Social and Governance (ESG) risk and climate change risk. 	<p>The Trustee receives strategic investment advice from the Investment Adviser that includes risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered. The Trustee considers both quantitative and qualitative measures for these risks when deciding on strategic asset allocation, deciding on investment policies and the choice of funds, fund managers and asset classes. The Trustee employs liability hedging to explicitly limit interest rate and inflation risk within the Scheme. The Investment Manager's role and approach to managing risk is part of the ongoing monitoring of such managers, particularly when selecting a new Investment Manager during any investment strategy review actions.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

<p>Investment Manager Appointment, Engagement and Monitoring</p> <p>The Trustee policy is in relation to:</p> <ul style="list-style-type: none"> - Aligning manager appointments with investment strategy - Evaluating investment manager performance 	<p>The Trustee receives quarterly reporting from their Investment Adviser, which includes the asset allocation and compares this with the desired long term strategic allocation. The quarterly report also includes an update on the markets over the period and any market risks on the horizon are highlighted as part of XPS' presentation at the Trustee meeting when appropriate. This quarterly monitoring provided by XPS furnishes the Trustee with the underlying asset class/sector exposures to monitor any unintended risk being taken.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Portfolio Turnover Costs</p> <p>The Trustee does not actively monitor the portfolio turnover costs of the assets. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.</p>	<p>Investment manager performance is reported net of transaction costs and therefore managers are incentivised to keep portfolio turnover costs to a minimum.</p> <p>Manager's remuneration is taken into consideration during manager selection exercises, to ensure the Scheme is not paying excessive fees that would detract from the Scheme's return.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Manager Turnover</p> <p>The Trustee is a long term investor and do not look to change investment arrangements on a frequent basis. The Trustee will retain an investment manager unless:</p> <ul style="list-style-type: none"> - There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; - The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate. 	<p>As at the end of the reporting year, the Trustee remained comfortable that the respective investment managers can deliver their mandates.</p> <p>On 29 November 2023, Ares announced the termination of the Secure Income Fund, and has entered a period of wind up where capital is returned to investors.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

<p>Responsible Investment and Corporate Governance</p> <p>The Trustee's policy is for the Trustees to consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers.</p>	<p>When implementing a new manager, the Trustee considers the ESG rating of the manager. There were no new manager appointments over the year. In any future investment strategy reviews, the Trustee will take into consideration manager ESG ratings.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Non-financial matters</p> <p>The Trustee's policy is to act in the best interests of the beneficiaries of the Scheme when selecting, retaining or realising investments. It has neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues.</p>	<p>For the DB section, the Trustee delegates the management of scheme assets to the investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The investment managers are expected to take account of non-financial considerations within the decision-making process.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Voting rights</p> <p>The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.</p>	<p>The investment managers are expected to vote in accordance with their internal voting policies. Given the nature of the DB sections holdings, the respective investment managers do not have opportunity to vote on the Schemes behalf.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

Voting activity

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the investment managers to report on significant votes made on behalf of the Trustee.

The voting activity of the Scheme over the reporting year is in relation to the funds the Scheme was invested into throughout the period. The main asset class where the investment managers will have voting rights is equities, as it represents the equity ownership and shareholder's stake within the underlying business. There are likely to be no voting rights for credit-based assets or funds that invest into them, such as the underlying securities held within the segregated accounts. The allocation to Secured finance will also not have voting rights due to the nature of the underlying holdings.

Therefore, due to the nature of the holdings of the Scheme, there is no voting activity to report for the Scheme.