

BSW Timber Limited Retirement Benefits Scheme

Implementation Statement – 31 December 2024

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased their focus on the Trustees' ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities.

These regulatory changes recognise the importance of managing ESG factors as part of the Trustees' fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Trustees of the BSW Timber Limited Retirement Benefits Scheme ("the Scheme") continue to follow and act on the principles outlined in the Scheme's Statement of Investment Principles ("SIP").

The latest SIP can be found online at the web address:

<https://www.bsw.co.uk/media/download/54>

Please note, the Scheme's SIP is due to be updated in 2025 once ongoing strategic changes have been implemented. Future updates to the SIP following their implementation will be noted and reflected in future accounting disclosures.

The Implementation Report details:

- Actions the Trustees have taken to manage financially material risks and implement the key policies in their SIP;
- The Trustees' current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- The extent to which the Trustees have followed policies on engagement covering engagement actions with the Scheme's investment managers and, in turn, the engagement activity of the investment managers with the companies underlying their respective investment mandate; and
- The voting behaviour by investment managers (noting the Trustees' delegation of Scheme voting rights to the investment managers through its investment via pooled fund arrangements), covering the reporting year up to 31 December 2024 for and on behalf of the Scheme, including the most significant votes cast on the Scheme's behalf.

Summary of key actions undertaken over the Scheme's reporting year

There were no key strategic changes over the reporting year. However, post-year end the Trustees have agreed to implement a 30% allocation to a high-grade Asset Backed Securities (ABS) fund. This

allocation will be funded from the LGIM Sterling Liquidity Fund. This change is due to be implemented over Q2 2025, and will be reflected in future accounting disclosures.

Implementation Statement

This report demonstrates that the Trustees of the BSW Timber Limited Retirement Benefits Scheme have adhered to their investment principles and policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions over reporting period
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of the liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks on a "Gilts Flat" basis, as determined by the Scheme Actuary.	<p>The Trustees reviewed the accuracy of the Scheme's LDI portfolio in March 2024. The analysis indicated the Scheme's liability hedge was 106% in respect of interest rates and inflation on a Gilts Flat basis – ahead of the Trustees' target.</p> <p>As the Scheme is targeting buyout, noting insurance pricing is unknown and may be expected to be more prudent than "Gilts Flat", the Trustees were comfortable holding this position at the time.</p>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members' benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	Over the year, the Trustees continued to manage excess liquidity requirements from the LGIM Sterling Liquidity Fund.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	No changes over the accounting year period.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.	
Environmental, Social and Governance ("ESG")	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 	

		<p>4. ESG specific reporting</p> <p>5. UN PRI Signatory</p> <p>6. UK Stewardship Code signatory</p> <p>The Trustees monitor the mangers on an ongoing basis.</p>	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Allow the Scheme's active managers who invest in overseas securities the flexibility to hedge overseas currency exposure to manage risk.	

Changes to the SIP

No changes were made to the SIP over the accounting year period.

The Scheme's SIP is due to be updated shortly to recognise recent changes made to the Scheme's investment strategy. This is due to be completed following the implementation of the high-grade ABS allocation in H1 2025.

Date last updated: September 2019

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Trustees' policies with regards to ESG as a financially material risk.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Areas of assessment and ESG beliefs

Risk management	<ol style="list-style-type: none">1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme.2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustees.
Approach / Framework	<ol style="list-style-type: none">3. The Trustees should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.4. ESG factors are relevant to investment decisions in all asset classes.5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Voting & Engagement	<ol style="list-style-type: none">6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge.8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Reporting & Monitoring	<ol style="list-style-type: none">9. The Trustees will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none">11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why.12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

Engagement with investment managers

To date, the Trustees have not yet carried out a formal ESG review of the Scheme’s investment managers, either directly or indirectly via Isio as the Scheme’s investment adviser.

However, Isio continue to engage with the Scheme’s investment managers on their ESG policies on an ongoing basis to ensure they meet a set of minimum criteria, as defined by Isio.

Investment managers’ engagement activity

As the Scheme invests via pooled funds via investment managers, the managers provided details on their engagement actions, including a summary of the engagements by category for the 12-month period to 31 December 2024.

Fund name	Engagement summary	Commentary
M&G Total Return Credit Investment Fund	<p>Total Engagements: 11</p> <p>Of which:</p> <p style="padding-left: 40px;">Environmental: 7</p> <p style="padding-left: 40px;">Governance: 1</p> <p style="padding-left: 40px;">Social: 3</p>	<p>M&G have a systematic approach to engagements whereby specific objectives are outlined in advance and results measured based on the outcomes from the engagements.</p> <p>M&G Analysts are expected to have a more granular awareness of key ESG risks which impact the individual issues they monitor. Where engagement is deemed to be necessary, analysts engage with issuers supported by M&G’s Corporate Finance & Stewardship (“CF&S”) Team, allowing them to leverage their expertise and sustainability themes.</p> <p>Examples of significant engagement:</p> <p>AIB Group PLC - M&G met with the Bank to discuss their Net Zero and Decarbonisation Commitments. In particular, discussion focussed on the process the Bank went through to have its near-term decarbonisation targets approved by the Science Based Target Initiatives (“SBTi”). As part of this engagement, M&G recommended the Bank have their Net Zero targets approved by SBTi and begin regular reporting on the outcome of its scope 3 engagement programme. The Bank confirmed that they intend on getting the Net Zero target approved. M&G will continue to engage with the bank on the progress against these actions.</p> <p>AT&T Inc – M&G sent a letter to the company to encourage them to aim to have at least 33% women on the Board. Within the letter they commended the company’s commitment and progress on Board diversity to date and offered to set up a meeting with the company to discuss their expectations around their diversity and inclusion policies. M&G await to hear back from the company.</p>

LGIM LDI and Gilts	<p>Total Engagements: 32</p> <p>Of which:</p> <p style="padding-left: 40px;">Environmental: 25</p> <p style="padding-left: 40px;">Governance: 6</p> <p style="padding-left: 40px;">Regulation: 1</p>	<p>LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engage with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.</p> <p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p>
LGIM Sterling Liquidity Fund		<p>LGIM have not provided examples of Fund-specific significant engagements.</p>

Investment managers' voting activity

The Scheme does not invest in any mandates that have or pertain to voting rights.