

## DEFINED BENEFIT (DB) SECTION IMPLEMENTATION STATEMENT

### Introduction

On an annual basis, the Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering the Barclays Bank UK Retirement Fund (“UKRF”, “the Fund”). This Implementation Statement focuses on the Defined Benefit (“DB”) section of Fund and covers the year from 1 October 2022 to 30 September 2023. It sets out the following:

- Any review of the Statement of Investment Principles (“SIP”) including an explanation of any changes to the SIP;
- How, and the extent to which, in the opinion of the Trustee, the SIP has been followed; and
- The voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and the use of the services of a proxy voter.

### Review of the SIP over the year

The Trustee reviews the SIP on an annual basis and after significant change in investment strategy. Prior to recent changes to the SIP following the completion of a strategic investment review, which took effect from 1 October 2023, the previous SIP was effective from 1 October 2021. The annual review of the SIP is conducted in consultation with the principal employer, Barclays Bank PLC, and with the support of the Trustee’s investment advisors.

The changes to the SIP, which took effect from 1 October 2023, included amendments to the Risk Management policies to provide added clarity regarding the Trustee’s approach to hedging interest rate and inflation risks, managing the liquidity and available collateral of the portfolio, and limiting the probability of a funding deficit.

### How the Trustee has implemented its investment policies over the year

The Trustee acted in accordance with its own investment principles and implemented the policies set out in the SIP over the year to 30 September 2023. A summary of the year’s key activities is set out in this statement.

### Investment Governance

The Trustee exercised its investment responsibilities over the year as part of its duty to act in members’ best interests.

On 1 November 2022, the Trustee approved the dissolution of the Trustee Investment Advisory Group (“IAG”) and the establishment of the Trustee Investment Committee. The Investment Committee (“IC”) derives its authority from and reports to the Trustee Board. The Committee was established with effect from 1 January 2023 and acts under a separate Terms of Reference and Delegated Authorities. The Trustee Board may change the Terms of Reference, its membership or disband the Committee at any time.

Oak Pension Asset Management Ltd (“OPAM”) operates under formal delegation from the Trustee, in line with parameters agreed by the Trustee. OPAM is responsible for the management of the UKRF asset portfolio and the implementation of the Trustee strategy, including the appointment, supervision and management of the Fund’s underlying investment managers and the implementation and monitoring of the Fund’s investment policy. The terms of the relationship between the Trustee and OPAM are set out in an Investment Advisory and Management Agreement (“IAMA”) which documents the Trustee’s expectations of OPAM, alongside Investment Guidelines under which OPAM is required to operate.

### Investment strategy and risk management

The SIP is owned by the Trustee with the detailed implementation and monitoring of the DB investment policy formally delegated to OPAM.

The performance of the DB assets, against the objectives set out in the SIP, is monitored by the Trustee with support from the IC, the Trustee’s strategic investment advisor, and OPAM, with performance calculations provided by J.P. Morgan, the Fund’s DB custodian.

The funding level of the DB section improved during the year. The portfolio remains well diversified with an appropriate level of investment risk and expected return, with interest rate and inflation risk, and a proportion of the Fund's longevity risk, mostly mitigated through hedging. The Trustee monitored performance against the Fund's investment objectives throughout the year using a monitoring framework called the Pensions Risk Management Framework ("PRMF"). This sets the investment objectives and acts as a reference point for decision making. The investment strategy remained robust throughout the financial year and the Fund is currently ahead of plan against its strategic funding objectives.

OPAM took appropriate steps throughout the year to proactively maintain cash balances and, during October 2022 in particular, to maintain a strong collateral position in response to the significant increases in interest rates and other market volatility impacting Liability Driven Investment ("LDI") strategies. Alongside this, all benefits were paid as they fell due in the year.

To understand the potential impact of different market environments and climate scenarios on the UKRF, the Trustee, supported by its strategic investment advisor and OPAM, undertook stress test and scenario analyses. The Trustee considered possible mitigation strategies should the chosen scenarios materialise and for the purposes of prudent risk management, included stress test analysis on the value of the UKRF's investment portfolio within the Fund's internal reporting, including the PRMF, for monitoring on an ongoing basis. In line with the Trustee's Task Force on Climate related Financial Disclosures ("TCFD") reporting requirements, it also completed climate scenario analysis on the UKRF under three distinct climate scenarios. The results of this analysis were reviewed by the Trustee and considered within its investment decision making.

### Responsible Investment (RI)

The Trustee has a standalone Responsible Investment ("RI") policy, which describes its approach to RI in the context of managing the UKRF, outlining the guiding principles the Trustee has adopted and the core activities undertaken. An abridged version of the RI policy is included in the SIP. Here is the UKRF's full [Responsible Investment policy](#).

The Trustee believes there is evidence that sustainable business practices lead to better risk-adjusted returns and outcomes in the long-term and so considers ESG factors and their potential implications for the UKRF throughout its investment process and within the Fund's overall RI approach.

The Trustee sees climate change as a key financial risk affecting its investment asset portfolio and climate change is therefore the subject of specific risk management, measurement, stewardship, and collaborative efforts as part of the UKRF's wider investment and RI activities. Further details of the Trustee's governance and approach to addressing climate change risks faced by the UKRF during the Fund year can be found [here](#), in the UKRF's 2023 TCFD Report which will be published by 30 April 2024.

The Trustee requires its appointed investment managers to be cognisant of ESG-related financial risks and opportunities. The Trustee is supported by OPAM in its engagement with managers, who also perform ongoing investment and operational due diligence and regular monitoring. This ensures that the Fund's appointed managers incorporate ESG risks and opportunities into the investment process.

Over the year the Trustee, supported by OPAM and its relevant advisors, implemented activities that are consistent with its RI policy. These activities were as follows:

- Continued to perform, monitor and review ESG analytics on the Fund's public fixed income portfolios. The annual OPAM ESG & Sustainability Questionnaire was sent to external managers in Q1 2023. The questionnaire comprised quantitative and qualitative questions across: Policy and Governance; Investment Monitoring; Stewardship; Collaboration; and Reporting. In addition, OPAM's investment committee performed quarterly ESG reviews with a focus on portfolio progress and priorities.
- Engaged with a selection of the Fund's fixed income managers (as at 30 September 2023 c.20% of the UKRF assets), to improve reporting and continuous monitoring of stewardship and engagement initiatives with underlying issuers. OPAM also worked with the managers to explore further opportunities for investments in climate solutions within the Fund's fixed income portfolios.

- Engaged with the UKRF’s infrastructure debt managers to understand engagement initiatives with underlying companies and further improve reporting in relation to engagement progress, key milestones and performance indicators.
- Submitted data for both of its property funds to the Global Real Estate Sustainability Benchmark (“GRESB”), an independent organisation that helps monitor ESG performance. OPAM is working with the managers to help measure the carbon footprint of the portfolios by making use of the Carbon Risk Real Estate Monitor (“CRREM”) tool and other third-party carbon measurement tools. As part of the ongoing investment monitoring, OPAM regularly challenges the UKRF property managers to work on improving the annual environmental performance scoring, and this is included within each manager’s annual objectives.
- Continued the engagement with the UKRF’s property managers in order to utilise the CRREM tool for assessing the portfolios and guide energy-efficiency decisions and actions.
- Engaged with the ESG analytics data provider in order to improve coverage and data quality where possible. OPAM have continued to use this resource to monitor both portfolio and asset level climate data and integrated the output into the challenge it presents to the UKRF managers and data providers.
- Continued its participation in the Institutional Investors Group on Climate Change (“IIGCC”) Net Zero Investment Framework, including the IIGCC Asset Owner Alignment Working group. This involved active contribution to the development of a questionnaire to complement the Net Zero Stewardship Toolkit intended to address the challenges with alignment and transparency between investors. The questionnaire was published in June 2023, and the Working Group will continue to address key issues affecting asset owners’ ability to develop best practice climate stewardship.
- On behalf of the UKRF, EOS at Federated Hermes (“EOS”) continued regular engagement with a wide range of stakeholders, including government authorities, trade bodies, unions, investors, and NGOs, to best identify and respond to market-wide and systemic risks. OPAM provided input for consideration, alongside other factors, on the development of EOS’ forward-looking Engagement Plan.
- Worked with the UKRF’s High Return Assets managers to further develop ESG reporting and increase transparency and disclosure from the underlying managers.
- Worked with the discretionary manager of the UKRF’s Private Equity allocation to calculate Carbon Dioxide emissions within the portfolio as well as exposures to sustainable impact assets. This work will continue as corporate transparency around climate data improves and more data becomes available.

Recognising that the UKRF is an asset owner with the majority of assets managed externally, the Trustee believes that positive responsible investment outcomes are more likely to be achieved via interaction with the UKRF’s investment managers. Through ongoing monitoring and dialogue, the Trustee aims to influence the managers to enhance and drive further integration of ESG-related factors into their investment processes.

The Trustee will continue updating and evolving its approach to investing responsibly.

### **Stewardship, engagement, and voting behaviour**

The Trustee recognises its position as an asset owner with ultimate responsibility to its members and beneficiaries, accepting that effective stewardship can help protect and enhance the long-term value of its investments to the ultimate benefit of these beneficiaries.

In October 2022, the Department for Work and Pensions (“DWP Guidance”) issued guidance concerning the “Reporting on Stewardship and Other Topics through the Statement of Investment Principles and Implementation Statement”. Consistent with the DWP Guidance and in order to take a more proactive approach towards its stewardship activity, the Trustee completed a full review and, after the year-end, updated its Stewardship Policy. The Trustee has initially selected climate change as a key stewardship focus area. This reflects the financially material risks that climate change poses to the UKRF’s investments, and the maturity and development of thinking within the industry that facilitates more robust assessment and efficient integration into the Trustee’s investment approach.

For the avoidance of doubt, the Trustee’s current focus on this theme in its approach to stewardship does not mean that the Trustee believes that it is the only, or necessarily the most, significant issue across its investment

portfolios. The Trustee continues to expect its investment managers and service providers to integrate all material ESG factors into their investment approaches and stewardship work. The Trustee's focus on this theme is a way to understand and make sense of activity across its managers, and as a basis to hold managers to account. The Trustee may decide to focus on other themes in the future, recognising that there are other sustainability-related challenges facing global societies and the natural environment.

In the interests of members and aligned with the goals of the Paris Agreement, the Trustee has set an ambition to halve greenhouse gas emissions by 2030 and to be net zero carbon by 2050 or sooner. A focus on climate change will help the Trustee to manage climate change risks and achieve its net-zero ambition.

The Trustee initially signed up to the UK Stewardship Code in 2011. The Code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term sustainable benefits for the economy, the environment and society. The Trustee expects its investment managers to adhere to the principles within the UK Stewardship Code for both UK and overseas holdings where possible. The Trustee also encourages its investment managers to satisfy themselves that investee companies adhere to the spirit of the UK Corporate Governance Code.

In 2023, the UKRF retained its signatory status to the substantially revised and strengthened UK Stewardship Code 2020. Here is the UKRF's full [2022 UK Stewardship Code report](#). This provides additional detail on the stewardship and engagement activity carried out by the Trustee.

For the DB assets, the Trustee has appointed EOS at Federated Hermes ("EOS") as a specialist engagement provider to maximise the Trustee's influence as an active owner. EOS performs targeted engagement with companies on behalf of a number of asset owners, including the UKRF. As part of its ongoing process, EOS identifies companies in which its clients, including the UKRF, are invested and will conduct a programme of engagement where EOS considers it both desirable and feasible to influence change. This includes opportunities pertaining to corporate governance and the management of ESG issues with a view to improving long-term performance and outcomes.

The Trustee regularly monitors the effectiveness of EOS's activities and, where appropriate, considers how engagement could inform investment decisions. OPAM monitors material stewardship activity by EOS pertaining to the UKRF's investments and the Trustee's key stewardship focus areas. EOS reports to the UKRF Trustee Board on an annual basis.

Details of the voting and engagement activity completed by EOS during the financial year are set out in the Voting and Engagement Data section.

### **Conflicts of interest policy**

The Trustee's approach to managing conflicts is set out in a separate Conflicts of Interest policy. This identifies circumstances that may give rise to perceived or actual conflicts of interest entailing a material risk to the UKRF's interests and establishes appropriate mechanisms and systems to monitor and manage those conflicts.

OPAM maintains a separate policy on managing conflicts of interest. This includes a review of each investment manager's conflicts of interest policy which is undertaken as part of the managers' operational due diligence and review process. Here is EOS' [Stewardship Conflicts of Interest Policy](#). This is reviewed by OPAM on behalf of the Trustee.

There were no breaches of the Trustee's, OPAM's or EOS' conflicts of interest policies during the financial year.

### **Asset manager policy**

The Trustee delegates the management of its relationships with third-party investment managers to OPAM, who regularly monitor all UKRF managers through its investment monitoring process.

The terms of the long-term relationship between the Trustee and OPAM are set out in a separate IAMA. This documents the Trustee's expectations of OPAM, alongside the investment guidelines under which OPAM is required to operate. The investment guidelines are based on a combination of the policies set out in the SIP, the

Trustee's PRMF and RI Policy. The investment guidelines are updated following any changes to one of these documents, ensuring OPAM acts in the best long-term interests of the UKRF at all times.

The Trustee remains comfortable that the IAMA is effective and, over the year, continued to monitor OPAM using a framework-based approach, as well as meeting with OPAM on a regular basis. Based on backdated analysis used within this framework, the UKRF's return generated over the year has exceeded the return required to achieve the UKRF's primary funding objective.

The IAMA sets out the Trustee's expectation with regard to OPAM's monitoring of fees, portfolio turnover costs and turnover range, which are reviewed by OPAM annually. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, OPAM will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

In addition, the Trustee reviews the costs incurred in managing the Fund's assets annually. The Trustee and OPAM are satisfied that the costs incurred in managing the Fund's assets and those associated with portfolio turnover during the reporting year were appropriate, taking into account the size and investment strategy of the UKRF.

### **Employer related investment**

The Trustee has a general policy of no direct employer related investments in Barclays Bank PLC or associated companies. However, the Trustee has accepted an indirect exposure to securities in Barclays Bank PLC through holdings in equity or bond index-tracking funds or through derivatives on equity or bond indices. Some indirect investment may also occur via independently managed pooled investment funds.

The Trustee's employer related investment is monitored regularly by OPAM, and no breaches of this policy have been reported over the year.

### **Expected return on investments**

As part of its overarching DB investment policy, the Trustee has considered the investment return and associated risk that each asset class is expected to provide. Consistent with investment management agreements and delegations, OPAM performed its role in respect of the day-to-day selection of assets to maintain the Fund's stated expected return target. The Fund's expected return, relative to the required return on both the primary and long-term funding objective, is monitored on at least a quarterly basis.

## Voting and Engagement Data

### Engagement data

The table below summarises EOS' engagement activity completed on behalf of the UKRF during the financial year.

Engagement data	EOS at Federated Hermes - Stewardship Provider
Does the manager perform engagement on behalf of the holdings of the fund?	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	898 (engagements defined as a count of objectives or issues with a linked action over the financial year)
Number of engagements undertaken at a firm level in the year	2,671
Examples of engagements undertaken with holdings in the fund	Alongside the Climate Action 100+ co-leads, EOS met with National Grid to discuss the decarbonisation of heat, climate-related policy engagement and sector wide challenges in connecting renewable energy capacity to the grid.

A detailed case study example of EOS' engagement with a company in the UKRF's portfolio is shown below.

#### Case study 1 - Archer Daniels Midland ("ADM")

*During 2022's Earth Week, ADM committed to achieving 100% deforestation-free global supply chains by 2025, five years earlier than its previous 2030 target. Given that industry targets for zero deforestation were missed in 2020 (although ADM itself did not have a 2020 goal), EOS asked the company in a Q1 2023 engagement how confident it was that it could meet its 2025 target. It was confident that the current timeline was possible.*

*EOS encouraged the company to remain focused on traceability and supply chain due diligence. EOS pointed out that the current targets for sustainable agriculture are not sufficiently ambitious, as they are focused on a small proportion of wheat in the US. EOS encouraged ADM to scale up its targets and its approach, extending this to other regions and commodities. EOS also asked the company to provide more clarity on how it encourages farmers to transition to regenerative agriculture, and how it tracks the outcomes on carbon, water, biodiversity and other indicators.*

*In March 2023, ADM disclosed further details about its regenerative agriculture initiative. It has engaged 1.2 million acres in regenerative agriculture practices and announced a seven-year agreement with PepsiCo to engage a further two million acres, amongst other partnerships. Finally, EOS asked ADM to develop an overarching strategy on biodiversity and take leadership in this area, including by assessing and disclosing its impacts and dependencies in line with the upcoming Taskforce on Nature-related Financial Disclosures.*

## Voting data

The tables below summarise EOS' voting activity, including the most significant votes, completed on behalf of the UKRF during the financial year. Please note that as at 30<sup>th</sup> September 2023, the UKRF no longer held any public equity investments, having sold all such investments by 31<sup>st</sup> December 2022. Significant votes have been defined as votes which meet one or more of the following criteria:

1. Votes relating to a key stewardship theme;
2. Votes relating to an issuer to which the Fund has a large relative £ exposure; and
3. Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

## Voting statistics

Voting criteria	EOS at Federated Hermes - Stewardship Provider
No of meetings eligible to vote during the period	59
No of resolutions eligible to vote during the period	623
% of resolutions voted	99%   620 proposals
% of resolutions voted with management	85%   532 proposals
% of resolutions voted against management	14%   88 proposals
% of resolutions abstained	0%   0 proposals
% of meetings with at least one vote against management	66%   39 meetings
% of resolutions where manager voted contrary to recommendation of proxy adviser?	0% - Barclays UKRF did not override any voting recommendations made by EOS during this period.
Any use of proxy voting services during the period	N/A - EOS subscribes to ISS' voting research, which it uses as an input to its voting decisions, alongside research issued by other best-in-class providers.

*Significant Votes*

Engagement topics	Vote 1	Vote 2	Vote 3
Company name	APA Group	Microsoft Corporation	Microsoft Corporation
Date of vote	19-Dec-22	13-Dec-22	13-Dec-22
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	The data is not available at the time of reporting		
Summary of the resolution	Approve Climate Transition Plan	Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk	Report on Tax Transparency
How the manager voted	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	EOS communicated their vote recommendations to the companies ahead of the votes		
Rationale for the voting decision	Inadequate management of climate-related risks	Shareholder proposal promotes appropriate accountability, incentivisation, and transparency	Shareholder proposal promotes transparency
Outcome of the vote	Pass	Fail	Fail
Criteria on which the vote is considered "significant"	Climate-change related	Climate-change related / Size and public significance of a company	Size and public significance of a company