

Implementation Statement for the year to 5 April 2025

Bouygues E&S UK Defined Benefit Pension Scheme ('the Scheme')

Introduction

This statement describes the voting and engagement policies of the Trustees of the Scheme ('the Trustees') along with a summary of voting and engagement behaviour related to the Scheme's investments over the 12-month period to 5 April 2025.

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around 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 a Trustee's fiduciary duty.

This Implementation Statement is to provide evidence that the Trustees continue to follow and act on the principles outlined in the Statement of Investment Principles ('the SIP').

There were no updates made to the SIP over the reporting year.

The Implementation Statement details:

- Actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP.
- The 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 its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandates.
- Note the focus on engagement is due to there being no assets with voting rights (e.g. equities) within the portfolio over the period. All assets invested in were fixed income, credit, or derivative based over the period.

Summary of key actions undertaken over the Scheme reporting year

- The liability hedging portfolio was amended during the year in order to account for more recent liability data and the improvement of the Scheme's funding level due to gilt yields rising and growth markets appreciating. The Scheme's liability hedge was increased from 85% to 95% of assets.
- As part of the liability hedge increase, the Scheme's allocation to Diversified Growth Fund (DGF) was reduced. The proceeds were invested in the LDI funds to increase the hedge.
- The investment consultant reviews the investment managers on an ongoing basis and will communicate any concerns to the Trustees. The Trustees have reviewed the investment strategy post year-end, and de-risking alternatives are being considered, given the Scheme's funding level improvements.

Implementation Statement

This statement demonstrates that the Trustees have adhered to their investment principles and their policies for managing financially material considerations including ESG factors and climate change.

Managing risks

When determining suitable investment objectives and when designing the Scheme's investment strategy, the Trustees (in conjunction with their investment adviser), will take into account all risks that are assessed to be financially material.

Risk	Policy	Actions
Risk capacity and risk appetite	In determining a suitable investment strategy, the Trustees consider how the volatility of the funding position is likely to be affected by changes to the asset allocation. An important consideration for the Trustees is whether a potential investment strategy is consistent with the ability of the sponsoring employer to address any future increase in deficit that may arise due to market movements.	<p>The covenant strength is discussed when reviewing and refreshing the Scheme's investment strategy.</p> <p>The Trustees monitor the Scheme's funding position on an ongoing basis, usually quarterly, and consider alternative strategies as the funding position changes.</p> <p>The Trustees are satisfied that the Scheme's exposure to market risk is reasonably reduced through asset diversification which avoids excessive reliance on a single asset class or region.</p>
Self-investment risk	Legislation imposes a restriction that no more than 5% of a pension scheme's assets may be related to the sponsoring employer.	The Trustees do not hold any direct employer-related assets and any indirect exposure is expected to be less than 5% of total assets.
Liquidity risk	The majority of the Scheme's assets will be liquid and will be realisable for cash at relatively short notice without incurring high costs. However, the Trustees recognise that the liabilities are long-term in nature and that a modest allocation to less-liquid investments may be appropriate.	The majority of the Scheme's assets are traded on at least a weekly frequency, providing sufficient liquidity.
ESG risk	The Trustees (in conjunction with their investment adviser) have considered the likely impact of the financially material ESG risks associated with all of the Scheme's investments and have assessed the mitigation of such risks implemented by each of the investment managers. In making this assessment, the Trustees recognise that, where pooled investment vehicles are held, the extent to which ESG factors will be used in the selection of suitable underlying investments will be determined by the investment managers' own policies on such matters.	Further detail provided later in this report.

Current stewardship policy and approach

The SIP describes the Scheme's policy regarding ESG as a financially material risk. This page details how the Scheme's policy is implemented.

The Trustees' policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that they wish to encourage best practice in terms of stewardship.

However, the Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters. For that reason, the Trustees recognise that their ability to directly influence the action of companies is limited.

Nevertheless, the Trustees expect that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees also expect that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.

When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.

The Trustees recognise that the members might wish the Trustees to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustees' priority is to select investment managers which are best suited to help meet the Trustees' investment objectives.

In making this assessment, the Trustees will receive advice from their investment adviser. The Trustees recognise that the investment managers' own policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

Engagement and Voting

Please see the attached document from Mobius Life for details on engagement and voting actions including a summary of the activity over the 12 months ending 5 April 2025. The platform provider also provided examples of any significant votes where possible.