March 2025

Implementation Statement

CBI Retirement Benefits Plan
12 months to 31 December 2024

Background to the Implementation Statement

Background

The Department for Work and Pensions ("DWP") is increasing regulation in order to improve disclosure of financially material risks. These regulatory changes recognise Environmental, Social and Governance ("ESG") factors as financially material and requires UK pension schemes to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require schemes to detail their policies in their Statement of Investment Principles ("SIP") and demonstrate adherence to these policies in an implementation statement.

Statement of Investment Principles (SIP)

The Plan's SIP includes the following:

- Policies for managing financially material considerations including ESG factors and climate change.
- Policies for engaging, via their investment adviser, with investment managers and/or other relevant persons about relevant matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflict of interest, risks, social and environmental impact, and corporate governance.
- Policies on the stewardship of the investments.

The SIP can be found online at the web address https://www.cbi.org.uk/articles/cbi-retirement-benefits-plan/ .

Implementation Statement

This implementation statement provides evidence that the Plan continues to follow and act on the principles outlined in the SIP. The statement details:

- Actions the Trustee has taken to manage financially material risks and implement the key policies in the Plan's SIP.
- The current policy and approach to ESG and the actions taken to manage ESG risks.
- The extent to which the Trustee has followed the Plan's policies on engagement, covering engagement actions with its investment managers and, in turn, the engagement activity of the investment managers with the companies in the investment mandates. The focus of the statement is engagement rather than voting, due to the fact there were no voting rights attached to the investments over the year to 31 December 2024 (as the assets are predominately credit based).
- The Trustee reviews their ESG beliefs statement for the Plan. This document forms the basis for ESG integration within Plan decision making. The statement is summarised in this implementation statement.

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

The Trustee monitors the Plan's investments on an ongoing basis, including receiving regular reporting from the Plan's investment adviser and the investment managers.

Reporting includes monitoring the Plan's investment strategy versus the strategic target, reviewing the performance of the investment managers versus relevant benchmarks and/or their stated objectives, and monitoring investment risks.

The Plan's strategic asset allocation was reviewed over the 12-month period to 31 December 2024 to align with a prudent liability basis.

During Q2 2024, the Trustee transferred excess cash collateral within the Schroders Sterling Liquidity Fund to the M&G Sustainable Total Return Credit Investment Fund to reduce capital inefficiency, whilst maintaining liquidity.

As part of de-risking the investment strategy and increasing liquidity, in June the Trustee decided to disinvest from the Schroders Corporate Bond portfolio. The corporate bonds had delivered very strong returns over the previous c.18 months and the forward-looking risk appeared greater than the potential for future strong returns. In July, the Trustee decided to transition part of the proceeds into Schroders Asset Backed Securities ('ABS').

Further, in September 2024, the LDI collateral held in the Schroders Liquidity cash ('SLF') fund was transferred to the Schroders Asset Backed Securities fund to increase efficiency.

By replacing long-dated corporate bond exposure with more stable, short-dated credit assets such as Schroders ABS and the M&G fund, the Plan's sensitivity to changes in credit spreads has reduced, creating more stability. The portfolio is now in a highly liquid, de-risked position.

Alongside traditional investment considerations, the Trustee receives regular reporting on ESG considerations. The Trustee reviews the Plan's investment managers from an ESG perspective on an annual basis and the Plan's investment adviser regularly meets with the investment managers to review their ESG policies and practices. The Trustee keeps the Plan's SIP under ongoing review. Updates to the SIP will be completed in 2025 as part of the update to the strategy.

Implementation Statement

This report demonstrates that the CBI Retirement Benefits Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Risk management policies and implementation

As outlined in the SIP, the Trustee adopts an integrated risk management approach. The three key risks associated with this framework and how they are managed are stated below.

Further, a summary of the actions the Trustee has taken to implement this framework over the 12-month period to 31 December 2024 is included.

Risk	Definition	Policy	Actions taken in implementing the policy
Investment	The risk that the Plan's position deteriorates due to the assets underperforming.	The Trustee's policy is to select an investment objective that is achievable and is consistent with the Plan's funding basis and the sponsor's covenant strength. The Trustee also aims to mitigate this risk by investing in a diversified portfolio of assets.	The Trustee monitors the performance of the Plan's assets versus the investment objective on an ongoing basis.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cashflows.	Funding risk is considered as part of the investment strategy review and the Actuarial Valuation. The Trustee agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.	The Trustee receives regular funding updates. As part of the 31/12/2023 Actuarial Valuation process the Trustee received funding advice from the Plan Actuary and an appropriate funding basis and schedule of contributions was agreed.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	When developing the Plan's investment and funding objective, the Trustee takes account of the strength of the covenant ensuring the level of risk the Plan is exposed to is at an appropriate level for the covenant to support.	The Trustee receives regular updates on the financial performance of the sponsoring company. The Trustee assesses the sponsor covenant strength on an ongoing basis and as part of Actuarial Valuations.

Risk management policies and implementation: continued

As outlined in the SIP, the Plan is exposed to a number of underlying risks and financially material considerations relating to the Plan's investment strategy.

The Trustee's policies in respect of these issues, including how financially material considerations are taken into account in the selection, retention and realisation of investments are summarised below. A summary of the actions the Trustee has taken to implement the policies over the 12-month period to 31 December 2024 is also included. The Trustee also retains and updates a risk register on at least an annual basis, covering investment, funding, administration, and other risks.

The individual risks noted are all relevant to the core risks outlined in the IRM framework: Investment, Funding and Covenant. Risks such as concentration risk are a subset of Investment risk, whilst Hedge Mismatch risk is a subset of both Investment risk and Funding risk. Sponsor risk is the key risk associated with the Covenant.

Risk	Definition	Policy	Actions taken in implementing the policy
Administrative risk	Risks relating to the operational management of the Plan's assets.	The day-to-day management of the Plan's assets is delegated to professional asset managers under FCA regulation.	The Trustee keeps a risk register under review, including administrative risks. The Trustee meets with the investment managers on a regular basis.
Concentration risk	The risk of an adverse influence on investment values from the poor performance of a small number of individual investments.	Diversification of the assets: • by asset class (loans, bonds, etc.) • region (UK, overseas, etc.) • within each asset class.	The Trustee maintained a diversified portfolio over the 12 months to 31 December 2024.
Currency risk	The potential for adverse currency movements to have an impact on the Plan's investments.	To invest in funds that hedge all or the majority of currency risk.	The vast majority of the Plan's assets were held in sterling denominated assets over the period.
Custodian risk	The creditworthiness of the custodian bank and the ability of organisations to settle trades on time and provide secure safekeeping of assets under custody.	To monitor the custodian's activities and review the performance of the custodian.	The Plan's selected investment managers use well established and FCA regulated custodians.

Default risk	The risk that the issuers of corporate credit are unable to meet their obligations.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.	The Trustee reviews default risk on a regular basis through reporting from the investment adviser. The investment managers use tools such as diversification, credit analysis and, in the case of the Direct Lending mandate, covenants to mitigate default risk. A large proportion of the assets are held in either government or investment grade bonds reducing potential default risk.
Environmental, Social and Governance ("ESG") risks	This is the risk that ESG factors, including but not limited to climate change, can impact the performance of the Plan's investments.	The Trustee mitigates this risk by appointing managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy: **1.**The existence of a clear responsible Investment ("RI") Policy/Framework. **2.**This Policy/Framework is implemented via a defined investment process. **3.**The manager has a track record of using engagement and any voting rights (where relevant) to manage ESG factors. **4.**The manager provides ESG specific reporting. **5.**The manager is a signatory of the UN Principles of Responsible Investment ("PRI") and UK Stewardship Code (or equivalent). Furthermore, the Trustee appoints an investment adviser, who is a signatory of the PRI and UK Stewardship Code and is expected to provide the necessary support to the Trustee on ESG matters. The Trustee monitors the managers on an ongoing basis against the above criteria.	The Trustee has previously carried out a review of the investment managers' ESG policies and practices. The Trustee agreed that the performance of all of the investment managers was satisfactory and will continue to engage with the managers to seek improvement. The Trustee's investment adviser meets with the investment managers regularly to monitor their ESG policies. The Trustee has taken action to improve the alignment of the portfolio from an ESG perspective by switching the M&G Absolute Return Bonds portfolio to an iteration of the fund with a more explicit sustainable focus. Further details are explained later in this statement.

Hedge Mismatch risk	The risk that over time as the shape of the Plan's liability cashflows evolve, a level of mismatch could develop between the LDI mandate, and the liabilities being hedged.	The mismatch is reduced through reviews of the LDI mandate, including once a valuation takes place.	Liability hedge reviews are conducted regularly and typically on an annual basis. The Trustee refreshed the liability hedging portfolio in July 2024.
Leverage risk	Economic exposure arising from investing in a derivative that is greater than the capital committed to the investment.	Suitable levels of leverage are used for risk management purposes in reducing interest rate and inflation risk.	Leverage was maintained at an acceptable level over the period and is monitored by the LDI manager and investment adviser. The Trustee has taken steps to make more liquid collateral available to the LDI manager.
Liquidity risk	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	The Trustee has considered the benefit of the additional return offered over comparable liquid investments and sized the allocation to illiquid assets appropriately to ensure that it should not impact the Plan's ability to meet its liquidity requirements.	The Trustee receives updates from its investment adviser on liquidity and collateral management. The Trustee's cashflow management policy sets out guidelines for managing liquidity in an effective way. The Trustee took steps to make more liquid collateral available to the LDI manager during Q2-Q3 2024. Consolidating assets within the Schroders ABS collateral fund increased Plan liquidity and efficiency. As at 31 December 2024, c.98% of the Plan's assets were held in daily traded funds.
Reinvestment risk	The risk that the return gained when reinvesting in new bonds varies dependent on market conditions.	The Trustee makes a prudent allowance for reinvestment risk when setting return assumptions.	The Trustee reviews reinvestment risk on a regular basis through reporting from the investment adviser.
Sponsor risk	The risk that the sponsor company may be unwilling or unable to maintain the necessary level of contributions in future.	The Trustee considers the covenant as part of an integrated risk management approach.	The Trustee receives regular updates on the financial performance of the sponsoring company.
Regulatory and Political risk	Risk arising from investing in a market environment where the regulatory regime may change.	The Trustee monitors regulatory and political risk with the assistance of the investment adviser and investment managers. The Trustee also has access to the Sponsor's expertise in this area.	The Trustee met regulatory requirements for the Plan over the period. The investment managers monitor regulatory and political risk related to the Plan's assets as part of the broader risk management process.

Changes to the SIP

The Trustee keeps the SIP under review and is currently in the process of reviewing it in the context of investment changes at the time of writing in March 2025.

Current approach and implementation of ESG and stewardship policies

The "Responsible Investment and Corporate Governance" section of the SIP outlines the Trustee's policies in relation to stewardship of the investments, including ESG factors.

Stewardship

The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments. All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention, and realisation of investments including taking into account all financially material considerations in making these decisions.
- The exercise of rights (including voting rights, where relevant) attached to the investments.
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

To ensure the investment managers' stewardship of the Plan's assets is in line with the Trustee's policies, the Trustee meets with the investment managers and receives reports from the Plan's investment adviser.

The Trustee expects that the investment adviser will provide the necessary support and expertise regarding ESG & stewardship, and the Trustee reviews the investment adviser on a periodic basis.

Environmental, Social and Governance ("ESG") factors

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within the SIP, so far as is reasonably practicable.

Below is a summary of how the Trustee seeks to engage on these matters with investment managers:

- The Trustee's investment managers provide periodic reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.
- The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.

Circumstances for additional monitoring and engagement include but are not limited to the following:

- The manager has not acted in accordance with their policies and frameworks.
- The manager's policies are not in line with the Trustee's policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

As outlined on the following page, the Trustee undertook a detailed review of the investment managers from an ESG perspective during 2024. The Trustee is comfortable that the investment managers' ESG policies and practices satisfy its requirements.

The Plan's investment adviser engages with the investment managers on a regular basis including regarding ESG factors.

The Trustee expects that the Plan's investment managers will engage with investee companies, including on ESG factors. A summary of the investment managers' engagement activity over the year to 31 December 2024 is outlined later in this statement.

ESG summary

The Trustee's investment adviser carried out a review of the Plan's investment managers from an ESG perspective during 2024, with the results shared the Trustee.

The key findings of the review are summarised below:

- The investment managers are generally taking an approach in line with the Trustee's ESG policies to date.
- M&G Absolute Return Bonds and Schroders LDI mandate both retained 'Meets Traditional Criteria' rating.
- The Partners Group Direct Lending fund remained stable. The fund is now an older vintage focussed on paying the remaining distributions back to investors. The fund cannot add new policies at this point.
- The move to the more sustainable version of the M&G fund during Q1 2023 improves the overall ESG rating for the Plan and increases alignment to the Plan's policies.

A summary of the individual investment managers' ESG policies and practices is outlined below.

Manager /Mandate	ESG Summary	Actions identified	Engagement with manager
Schroders LDI Mandate [1]	Schroders integrate ESG considerations in their counterparty selection process and have a well-established method to screen counterparties. Schroders have made some improvements to their reporting capabilities by starting to report sustainability metrics on UK gilts.	Schroders could establish climate objectives for the fund or increase allocation towards green/sustainable gilts if financially suitable.	The investment adviser engages with Schroders on a regular basis.
Schroders AAA Flexible ABS	Schroders have strong firm-level policies such as a net zero commitment by 2050. They have a strong risk management approach by partnering with multiple academic institutions to help manage key risks.	In line with best practice, Schroders could produce a quarterly ESG report. They could also assess the effectiveness of green, sustainable-linked or use-of-proceeds ABS issuance from inclusion on the fund.	The investment adviser engages with Schroders on a regular basis.
M&G Absolute Return Bonds	M&G boasts a robust company-wide ESG strategy, illustrating their competency in managing ESG risks within the Fund.	M&G should continue to improve data coverage and reporting metrics, as they do not currently produce sustainability reporting for the fund, which some peers	The investment adviser engaged with M&G and noted that they can now model various climate scenarios.

	The Plan is invested in a sustainable version of the fund with a greater focus on sustainable investments.	do. They should also disclose fund-level sustainability and carbon footprint in regular quarterly reporting.	
Partners Group PMCS 2016 Fund	PG continue to demonstrate a strong firm-wide approach to ESG and have strong ESG teams and practices and have strong net zero commitments, including pathway to net zero by 2030 on all corporate activities and 2050 across all portfolios. They have a strong screening process in their investment approach, using industry recognised guidance, such as the TCFD and UN Global Impact. ESG scorecards are used during initial due diligence to assess each asset's ESG risk.	The fund is in its distribution phase and therefore cannot change policies or make significant changes at this point.	N/A

1. Schroders cash funds are assumed to be part of the Schroders LDI mandate.

ESG Beliefs

In H1 2022 the Trustee agreed to a set of ESG beliefs for the Plan, which are listed below. The Trustee may review these from time to time.

1. Demonstrating action and engagement on ESG issues forms part of the fiduciary duty of the Trustee to its members.

2. The Trustee seeks positive alignment with ESG factors in the Plan's investment strategy which are expected to lead to better long-term risk-adjusted returns.

3. ESG considerations will be included in the Trustee's investment decisions, including when selecting and monitoring appointed investment managers.

4. The Trustee believes engagement with appointed investment managers is more effective than termination in the first instance.

5. The Trustee favours investment managers with a strong track record of voting, engagement and corporate behaviour that addresses ESG issues.

6. The Trustee will require reporting of high quality ESG metrics from its investment managers and advisers, to improve investment decision making and demonstrate improvement against these metrics over time.

7. The Trustee will consider the ESG views of the Confederation of British Industry ("CBI", the Plan sponsor) and other relevant stakeholders when making investment decisions.

Voting and engagement

There were no voting rights attached to the Plan's investments over the 12-month period to 31 December 2024. The majority of the Plan's assets are credit based where there are no voting rights attached.

The Trustee delegates the day-to-day management of the Plan's assets to investment managers. Details of the investment managers' engagement actions, including a summary of the engagements for the 12-month period to 31 December 2024, are included below.

Manager/Mandate	Engagement summary	Commentary
Schroders LDI Mandate	Over 20 meetings with public bodies/ market participants	Schroders actively engage with a variety of market participants including government and the Bank of England on ESG topics. Barclays: Schroders have engaged with Barclays, an LDI counterparty bank since 2008, with more structured engagement occurring around three times a year since 2020. Recent engagements have focused on the scope of targets and assurance over emissions measurement. One outcome of Schroders engagement with the bank is a one-third reduction in absolute emissions linked to Barclays' financing of the energy sector over the last three years. UK Treasury: As a fixed income fund manager specialising in gilts, Schroders met with the Economic Secretary to the UK Treasury to discuss gilt issuance for the new year. Schroders engagement with the UK Treasury helped inform the government's decision-making process, ensuring that the gilt issuance strategy aligned with market dynamics and investor demand. This contributed to the government's efforts to optimise its funding strategy and manage its debt obligations effectively. Schroders next steps involve ongoing collaboration with the UK Treasury to monitor market conditions and provide further guidance.
Schroders AAA Flexible ABS	Schroders has not reported the exact number of engagement but provided examples engagement activity.	Schroders' engagement activities are undertaken by their portfolio managers, analysts, and their sustainable investment team. Engagement methods include one-to-one meetings with company representatives, written and phone correspondence, and discussions with various company advisers and stakeholders. An example of a significant engagement includes:

		Banco de Chile: Schroders have engaged with the Latin American financial institution on increasing the number of independent directors and improving gender diversity at the board level. Schroders reached out to the company and asked them to reach at least 30% female representation. Following engagement with Schroders, the company elected two female directors, increasing the female representation to 17%. Over the course of the engagement, Banco de Chile has met Schroders minimum expectations on board independence and female representation.
M&G Sustainable Total Return Credit Investment Fund	Total engagements: 12 Environmental: 8 Social: 3 Governance: 1	M&G adopt a systematic approach to engagement in which predetermined objectives are established beforehand and evaluated based on the results of engagements. M&G monitor the success of an engagement by assessing whether they have met their objectives and log this into a wider system. M&G analysts are expected to show a more detailed understanding of key ESG risks that impact the issues in which they oversee. If engagements are considered necessary, analysts engage with issues supported by M&G's Sustainability and Stewardship Team enabling them to utilise their understanding and consider sustainable themes effectively using their developed expertise. An example of a significant engagement includes: Stellantis NV: M&G engaged with the Dutch-incorporated global automobile manufacturer as it didn't meet their expectation of board level gender diversity (27%). M&G had a call with company representatives from the investor relations department, including the Head of Investor Relations. After appointing another female director, as at September 2024, the company now meets M&G's expectations on board diversity.
Partners Group PMCS 2016 Fund	Total engagements: 3 - All corporate and governance based. (Note there are only a small number of companies remaining in the fund, which is now in its distribution phase).	Partners Group encourage continuous interaction between the management teams of their portfolio companies. But, given the nature of their position as lenders, they typically rely on the equity sponsor to report ESG-related concerns and improvements. Investments in private companies further diminishes the transparency of accessible information for evaluating ESG risks. An example of a significant engagement includes: CareStream Dental LLC: In September 2024. (PG did not provide specific details of the engagement).

The information contained herein, and views expressed are solely based on information provided by the investment managers.

Some of the information provided in this report is provided by the Plan's investment managers, and so we are reliant on these third parties for the accuracy of these data sets. There can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the situation.