

# Implementation Statement

## Bic UK Pension Scheme

### Purpose of this statement

This implementation statement has been produced by the Trustees of the BIC UK Pension Scheme (**“the Scheme”**) to set out the following information over the year to **31 March 2023**:

- how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The Implementation Statement covers details of all voting activity (and significant votes) as well as engagement activity for all funds held by the Scheme during the year to 31 March 2023. However, the Scheme disinvested from the Invesco Global Target Returns Fund in July 2022 and disinvested from the BNY Mellon Real Return Fund and the LGIM Diversified Fund in December 2022.

### Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) in force at 31 March 2023 describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in January 2023 and has been made available online here:

[Statement of Investment Principles \(pensionpal.co.uk\)](https://pensionpal.co.uk)

The Trustees will keep this policy under review in line with the nature of the funds they are now investing in. At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this and the extent to which it is appropriate for the Scheme’s investment strategy in due course, in line with other Scheme risks. Therefore, for the subsequent sections relating to significant votes, they have relied on the Scheme’s managers to provide information on votes which they deem are significant.

### How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme’s investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.
- The Scheme is currently only invested in liability matching assets (gilts and corporate bonds) and cash and therefore there is limited engagement and stewardship that the Trustees can do.

**Prepared by the Trustees of the BIC UK Pension Scheme  
August 2023**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to **31 March 2023**. The Over 5y Index-Linked Gilt Fund, Over 15y Gilts Index, Sterling Liquidity and Core Plus Funds with LGIM have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Voting Data for Q1 2023 was not provided for the Invesco Global Targeted Returns Fund and so all data relating to this fund is for the year to 31 December 2022.

Manager	LGIM	BNY Mellon	Invesco
<b>Fund name</b>	Diversified Fund	Real Return Fund	Global Targeted Returns
<b>Structure</b>	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.		
<b>No. of eligible meetings</b>	9,541	78	265
<b>No. of eligible votes</b>	99,252	1,287	3,926
<b>% of resolutions voted</b>	99.8%	100%	98.9%
<b>% of resolutions abstained</b>	0.7%	0.0%	0.1%
<b>% of resolutions voted with management</b>	77.4%	89.2%	93.7%
<b>% of resolutions voted against management</b>	21.9%	10.8%	6.2%
<b>Proxy voting advisor employed</b>	Custom voting policy with specific voting instructions in place with ISS	ISS is used for administering proxy voting. No strict voting policy is maintained but all decision making is overseen by the Head of Responsible Investment at Newton	Invesco use a proxy provider details of which can be found <a href="#">Here</a>
<b>% of resolutions voted against proxy voter recommendation<sup>1</sup></b>	12.5%	7.0%	3.97%

## Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities. At this time, the Trustees have not set stewardship priorities for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees have yet to develop a specific voting policy, and at the year-end held no funds with voting rights attached.

### Invesco Asset Management, Global Targeted Returns Fund (Life)

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Suofeiya Home Collection Co., Ltd.	QBE Insurance Group Limited	Barclays Plc
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	>1% (of company)	>1% (of company)	>1% (of company)
<b>Summary of the resolution</b>	Approve Cash Management	Approve the Amendments to the Company's Constitution	Authorise Issue of Equity in Relation to the Issuance of Contingent Equity Conversion Notes.
<b>How the manager voted</b>	Against (Against Management)	Against (In Line with Management)	For (In Line with Management)
<b>Rationale for the voting decision</b>	A vote AGAINST is warranted because the proposed investment could expose the company to unnecessary risks.	A vote AGAINST this resolution is warranted, as the request to amend the company's constitution is potentially broad with no regulatory framework to oversee shareholder proposals.	A vote FOR these resolutions is warranted, although could lead to the dilution of the shares. The main reasons for support are authorities are common proposals at UK banks and are intended to apply in extreme circumstances.
<b>Outcome of the vote</b>	Pass	Fail	Pass
<b>Implications of the outcome</b>	The outcome of the vote did not meet Invesco's desired voting intention. Invesco will continue to monitor the company on this issue and engage as necessary.	The outcome of the vote meets Invesco's voting intention. Therefore, they didn't take further action beyond their continuous engagement and dialogue with the company, as appropriate.	The outcome of the vote meets Invesco's voting intention. Therefore, they didn't take further action beyond continuing engagement and dialogue with the company, as appropriate.
<b>Criteria on which the vote is considered “significant”</b>	Invesco ownership is greater than 1% of the company	Invesco ownership is greater than 1% of the company	Invesco ownership is greater than 1% of the company

## LGIM, Diversified Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Royal Dutch Plc	Sempra Energy	Amazon.com, Inc.
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.3%	0.1%	0.2%
<b>Summary of the resolution</b>	Approve the Shell Energy Transition Process Update	Require Independent Board Chair	Elect Director Daniel P. Huttenlocher
<b>How the manager voted</b>	Against	For	Against
<b>Rationale for the voting decision</b>	<p>LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030. However, LGIM remains concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with related business streams.</p>	<p>LGIM expects companies to establish the role of independent Board Chair.</p>	<p>The director is a long-standing member of the Leadership Development &amp; Compensation Committee which is accountable for human capital management failings.</p>
<b>Outcome of the vote</b>	80% of shareholders supported the resolution	38% of shareholders voted supported the resolution	93% of shareholders supported the resolution
<b>Implications of the outcome</b>	<p>LGIM will continue to engage with the company and publicly advocate their climate related position.</p>	<p>LGIM will continue to vote against combined Chairs and CEOs.</p>	<p>LGIM will continue to engage with and advocate for market level progress in this area.</p>
<b>Criteria on which the vote is considered "significant"</b>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans.</p>	<p>LGIM considers this vote to be significant as it is an example of an escalation of their vote policy on the topic of the combination of board of chair and CEO.</p>	<p>LGIM pre-declared its vote intention for this resolution demonstrating its significance.</p>

## BNY Mellon, Real Return Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Universal Music Group NV	ConocoPhillips	Abbott Laboratories
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.6%	1.2%	0.7%
<b>Summary of the resolution</b>	Approve Remuneration Report	Report on GHG Emissions Reduction Targets	Report on Lobbying Payments and Policy
<b>How the manager voted</b>	Against	For	For the shareholder proposal
<b>Rationale for the voting decision</b>	<p>BNY Mellon voted against the proposal as they felt that the short-term pay awards ensure the CEO receives a bonus more aligned with royalties rather than the metric being an actual driver of growth and incentivising the executive to perform. BNY Mellon also viewed the quantum of pay as excessive.</p>	<p>BNY Mellon supported the shareholder proposal which requested reporting on GHG targets, and notably Scope 3 emissions across the value chain as they believe the company has not made sufficient progress on their climate plan.</p>	<p>BNY Mellon supported a shareholder proposal requesting additional disclosure around lobbying payments made by the company as this will be beneficial for shareholders to better assess the related political risks.</p>
<b>Outcome of the vote</b>	71% of shareholders supported the resolution	39% of shareholders supported the resolution	35% of shareholders supported the resolution
<b>Implications of the outcome</b>	<p>Owing to the company having controlling shareholders, the vote outcome shows that most of the minority shareholders failed to support the CEO's compensation. The company should recognise this significant level of dissent, and determine mitigating steps required to avoid a similar or worse vote outcome occurring in the future.</p>	<p>Majority support for shareholder proposals highlight the growing areas of concern in the US market.</p>	<p>While the vote outcome will barely register with the company, the near majority support for the shareholder proposal (in tandem with a shareholder proposal on remuneration) provides an increased likelihood of shareholders' rights being improved. The improvements will require further shareholder votes at a future AGM for the company to make the necessary changes to its bylaws.</p>
<b>Criteria on which the vote is considered "significant"</b>	<p>This vote provides an example of where most of the company's minority shareholders disagreed with a company's pay practices.</p>	<p>Newton determined this vote as significant owing to the rarity of a shareholder proposal achieving majority support.</p>	<p>The significance of this vote extends to the level of support received for the shareholder proposal(s) that sought fundamental governance reforms of the company.</p>

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's gilt funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Engagement data for Q1 2023 was not provided for the Invesco Global Targeted Returns Fund and so all data relating to this fund is for the year to 31 December 2022.

Manager	Invesco	LGIM	LGIM	BNY Mellon
Fund name	Global Targeted Returns Fund (Life)	Diversified Fund	LGIM Core Plus Fund	Real Return Fund
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	20	979	125	48
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	12	690	63	25
<b>Number of engagements undertaken at a firm level in the year</b>	220	1,262	1,262	224

## Examples of engagement activity undertaken over the year to 31 March 2023

### **LGIM**

During Q1 2023 LGIM arranged an engagement call with Macquarie Asset Management, Southern Water's main shareholder. This call was to share LGIM views on the environmental impact of water companies after the UK Environment Agency described the environmental performance as the "worst seen for years".

LGIM also signed up to the Ceres investor-led "Valuing Water Finance Initiative" aimed at engaging water users and polluters to address water risks.

LGIM continues to limit its exposure to the bonds of weaker companies in the sector pending evidence on progress on operational and financial issues within water companies.

### **BNY Mellon Real Return Fund**

BNY Mellon did not provide details of engagements carried out on behalf of clients invested in this fund. The Trustees and Investment Adviser will work with the manager to ensure that this detail can be provided in the future. BNY Mellon did however provide examples of engagement themes at a firm level, and we have summarised an example of this.

BNY Mellon continued an ongoing engagement with Barclays, encouraging the bank to strengthen its climate transition plan to ensure the bank is on track to reach its emission reduction target. The bank has considerable exposure to the fossil fuel industry and the bank is working with Oliver Wyman to review and compare its client climate transition framework with best practice. This covers 150 clients from sectors in which the bank has explicit climate related targets. The framework is due to be published in the coming year.

The bank also outlined their participation in the Bank of England Climate Biennial Exploratory Scenario and the incorporation of climate into its own stress tests to evaluate risk within its own portfolios. BNY Mellon have been asking the bank to provide evidence of the climate transition framework for some time and will continue to monitor the bank's reporting and progress against sector targets.

### **Invesco**

Invesco did not provide details of engagements conducted on behalf of clients invested in this fund. Invesco did however provide examples of engagement themes at a firm level, and we have summarised an example of this.

Invesco engaged with Glencore plc over the period providing an example of tackling climate change. They pushed Glencore to publish renewable goals and targets as they are one of the few diversified mining organisations that they liaise with not to have public ones. They also pushed Glencore to explain why they keep receiving environmental fines and what they are planning to do to rectify this.