Bectu Staff Retirement Scheme Statement of Investment Principles implementation statement for the scheme year ending 31.10.2024

The Occupational Pension Schemes (investment and Disclosure) (Amendment) Regulations 2019 require defined benefit pension schemes to produce and publish a statement which must set out how, and the extent to which, the scheme's policies on stewardship have been followed during the scheme year, and describe the voting behaviour by, or on behalf of, the trustees, including the most significant votes cast by the trustees or on their behalf, during the scheme year, stating any use of the services of a proxy provider. This SIP implementation statement published by the Bectu Staff Retirement Scheme (BSRS) is for the year ending 31st October 2024.

The scheme invests in LGIM Global Equity Fixed Weights (50-50) Index Fund, Newton Real Return Fund (renamed BNY Mellon Real Return fund), LGIM High Yield Bond Fund, LGIM Investment Grade Corporate Bond All Stocks, Royal London Asset Management Multi-Asset Credit Fund and CBRE's Osiris Property Fund.

From 1 October 2021 the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 came into force, introducing new requirements relating to reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, to improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk.

The BSRS is too small to fall within the scope of the new requirements. Nevertheless, the Trustee agrees with the Pensions Regulator's view that global heating has the potential to destabilise the social and economic conditions on which we depend for our pensions system, that the impact has financial consequences as well, and that any scheme that does not consider climate change is ignoring a major risk to pension savings and missing out on investment opportunities[1].

Action on net zero

During the previous scheme year the trustee board had discussed adopting the climate goal of net zero and resolved to undertake training in preparation for this. The training was completed by the trustee board of directors on 26 February 2024. The board subsequently discussed and agreed a formal policy on adopting a net zero target which became part of the Statement of Investment Principles.

The policy is as follows:
"Reflecting on the importance of climate risk, the Trustee has decided to reduce carbon emissions attributable to the investment portfolio, with a target to achieve net zero emissions by 2050 or, where viable, before 2050. In setting such a target, the Trustee recognises that the Scheme's assets are not currently aligned with this objective and that it may take some time to restructure the portfolio to be consistent with the target (for example, by investing in pooled funds that themselves have set a "net zero by 2050" target). The implementation of the target will be considered with the investment consultant and carried out in a measured way, that also takes into account the Trustee's wider objectives and ESG beliefs."

With the assistance of their investment consultants' climate risk assessment tools, the board undertook a scenario analysis of the impact of climate change on the investment portfolio. The board also took note of the implied temperature alignment of the funds in which they were invested. The board decided, in relation to all three pension schemes of which the Board is Trustee, that it would review its multi-asset credit funds and then its equity funds in order to move forward on implementing the board's net zero strategy.

In July the board selected the M&G Sustainable Total Return Credit Fund to replace the LGIM High Yield Bond Fund, the BNY Mellon/Newton Real Return Fund and the Royal London Multi-Asset Credit fund all of which were due to be fully disinvested. Prior to investing in M&G the board held discussions with the fund manager and sought and received assurances about cooperation with the board's stewardship agenda.
Shortly after 31st October, regarding equity funds, the board selected the AMX/ DWS Global Low Carbon Stewardship Fund which not only incorporated a low carbon commitment but also offered voting in alignment

[1] https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/climate-change-and-environment/climate-change-strategy

with the Trustee's Red Line voting policy, unlike the funds it replaced. The fund would replace the LGIM Global Equity Fixed Weights (50:50) Index Fund. The AMX fund is a passive global equity strategy incorporating ESG tilts, exclusions and decarbonisation targets, focussed on large and mid-cap companies.

However, for the duration of the period under review the pre-existing investments were held, and so this implementation statement only concerns these.

1. The Trustee's policy on engagement and voting rights
The Statement of Investment Principles (SIP) includes the following:
"The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.
"The Trustee currently has no alternative but to delegate the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. The Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

"The Trustee has adopted the Red Line Voting policies published by the Association of Member-Nominated Trustees as an appropriate set of policies that the Trustee wishes to guide their fund managers in the stewardship of their investments. To date, the fund managers have been reluctant to accept these policies and until this changes, the Trustee has no option but to allow the investment managers to continue exercising the investment rights attaching to the assets in any pooled funds according to their own policies. The Trustee will endeavour to hold the managers to account in relation to the exercising of these investment rights.
"The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

"Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information, and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code, and ask them to explain why their policies and/or voting activities are not in alignment with those of the Trustee if that should be the case."

2. Voting and engagement: equity managers
The BSRS invests in the following funds:
LGIM: Global Equity Fixed Weights (50-50) Index Fund
Newton: Real Return Fund

2.1. Fund manager refusal to accept Trustee's voting policy
The fund managers had previously refused to honour the Red Line Voting policy adopted by the BSRS. The corporate directors agree with the government and TPR on the importance of having a voting policy as it sets out the Trustee's views on how fund managers should engage and vote, at the AGMs of companies in which the scheme invests, on a range of matters covering environmental (including climate change), social and governance issues. Even where fund managers refuse to act on the basis of the client's voting policy, it can still be used as a benchmark to hold the fund managers to account. The corporate trustee directors again asked the fund managers, in the light of the regulatory requirements and the industry's movement, that they operate the Red Lines on a comply or explain basis.

LGIM responded by stating that the unit-linked funds in which the Trustee invests via its unit-linked insurance contract issued by Legal and General Assurance (Pensions Management) Limited would be managed in accordance with the Scheme's SIP to the extent permitted by the terms of the Trustee's unit-linked insurance policy and PMC's Description of Funds.

Newton Investment Management Limited acknowledged the request but stated that they could not provide a meaningful update to that which they had provided in 2023. The fund manager continued to monitor developments including with the fund operator (BNY Mellon) but at present had no firm plans to introduce such a service.

In addition, Newton again declined to answer the Trustee's detailed questions about the stewardship of their investments and also declined to accept the Trustee's choice of significant votes, instead imposing their own which concerned just eight votes at four company AGMs. Newton stated: "Regrettably, we are not in a position to provide granular responses to your detailed questions. We would encourage you to continue to review the Stewardship-related materials we publish to our website periodically (see https://www.newtonim.com/uk-institutional/responsible-investment/). Whilst we understand that you find this a disappointing response, we do hope you can understand our position which is borne out of a desire for our staff to remain focused on delivering on the firm's stewardship priorities on behalf of our client base."

2.2 Climate change:

LGIM

The Trustee welcomed LGIM's continuing commitment to fighting climate change and recognition that, as stated in their 2024 Climate Impact Pledge: "The pace of transition is neither fast enough nor smooth enough, in our view. That is clear from our assessments and engagements since we launched the CIP in 2016." It was noted that one of LGIM's top global investment stewardship themes was framed as "Keeping 1.5°c alive" which reflects the global struggle to do so.

The Trustee also welcomed LGIM's requirements on companies to report in line with guidance of the Taskforce on Climate Related Financial Disclosures (TCFD), and more recently their requirement in relation to mining companies and electric utilities that they should "refrain from making new investments in thermal coal mining or power generation expansion, as this is incompatible with achieving net-zero by 2050 under the International Energy Agency's (IEA's) net zero emissions scenario."

Significant votes

LGIM was asked to disclose:

- how many management-proposed resolutions they had voted against during the reporting period in relation to the company being in breach of the requirement that companies report in line with TCFD guidance, and at which companies;
- At how many (and which) AGMs did they vote against the chair of the board on the basis of insufficient action being taken on climate change;
- At how many (and which) AGMs did they vote against a management-proposed resolution, or for a shareholder resolution, on the grounds that the company had not refrained from making new investments in thermal coal mining or power generation expansion.

LGIM responded that under their Climate Impact Pledge, 455 companies from the quantitative stream and 37 companies from the qualitative stream were identified for a vote against the Chair of the Board in the 2024 AGM season. The list of the 37 companies can be found in LGIM's Climate Impact Pledge 2024.

Of the 492 companies, 106 were identified as having failed to meet LGIM's new 'baseline' expectations for heavy emitting sectors of oil and gas (regarding methane emissions disclosure) and mining and utility companies (no new coal).

LGIM highlighted their Future World Protection List, which captures companies undertaking expansion of thermal coal mining capacity as detailed in their methodology document *Future World Protection List Methodology.*

Companies on the Future World Protection List, in addition to being excluded from the L&G portfolios that apply this list, are also subject to a vote against the Chair (or next most senior director up for re-election) at their AGM. A list of the FWPL companies and the reason for their being on the FWPL is available in their future-world-protection-list-table.pdf

Shareholder resolutions

The Tnoted that across the reporting period (the year to 31 October 2024) LGIM voted for 95 shareholder resolutions on the environment but voted against 91 which means that the fund manager had only supported about half. In previous correspondence the Trustee had pointed out that motions described as on the environment are not necessarily about climate change so there was no way of knowing how many of the shareholder resolutions that LGIM opposed were on climate change. The Trustee made the point that it would be useful to LGIM's clients if their reports could make this distinction.

LGIM responded stating that they would generally support shareholder resolutions on climate when they are requesting ‘say on climate’ vote structures, requesting additional disclosure and reporting to evidence the company’s alignment to published net-zero goals and interim targets, or requesting disclosures or changes aligned to LGIM's minimum expectations of climate-transition plans, or their sector-specific expectations as set out in the Climate Impact Pledge Sector guides.

LGIM stated that they carefully assess most climate-related shareholder resolutions. While considering the asks from the ‘principle’ point of view, and gauging their alignment with their detailed sector expectations, the fund manager pays close attention to the specific details and restrictions proposed by these resolutions.

Significant votes:
The Trustee asked how many shareholder resolutions on climate change LGIM had opposed in this period and why.

LGIM responded that 2024 saw a reduction in the number of climate-related shareholder resolutions, with some of the focus moving away from pure climate management into the direction of nature- and social-related aspects. In 2024 the fund manager voted on 114 climate-related proposals, (down from 145 the previous year), of which LGIM supported 91 (79.8%). 83 of the 114 votes were filed in North America, 16 in Japan, 10 in Europe, four in Australia and only one in the UK. Of the shareholder resolutions LGIM did not support, most were due to concerns with proposals being overly prescriptive or when the company had already provided appropriate reporting on such issues. A small number were related to climate risks in corporate retirement plans, which LGIM considered were run by third parties in line with their fiduciary duties, with employees being given fund-election options.

In response to the Trustee's note that it would help if reporting on resolutions on climate change could be separated from the general category of 'environmental resolutions', LGIM stated that they obtain their data and categorisations from ISS and they are aware that different proxy voting providers may operate different categorisation systems.

Newton did not provide information in response to these questions.

2.3 Diversity
LGIM
The Trustee warmly welcomed the continued evolution of LGIM's diversity policies, including their decision to seek to engage with proxy voting organisations to raise minimum standards of diversity across various markets, and their policy that companies should be transparent and clearly disclose diversity and inclusion policies and representation data at four levels: company board (non-executive directors), executive leadership team, management team, and entire workforce.

The Trustee also welcomed LGIM's adoption of the Parker Review as an authoritative source of information on ethnicity on the boards of FTSE 100 and FTSE 250 companies; their actions in line with the Parker Review's targets that it sets those companies; and LGIM's policy that companies should disclose their gender and ethnicity pay gap information, where possible, along with actions to close any stated gap.

The Trustee further welcomed LGIM's decision that they may pre-declare their vote intention ahead of meetings to draw the attention of the market, clients and other companies to a particular issue, resolution or outcome. LGIM doing this will inevitably draw attention to the issue and encourage other fund managers to consider this issue more seriously than many currently are doing.

The Parker Review stated that Diploma plc, Frasers Group, Howden Joinery and Intermediate Capital Group were the four FTSE 100 companies that had all-white boards, and LGIM voted against directors at Diploma and Howden.

Significant votes:
At Intermediate, LGIM explained that at the chosen reference date, the company acknowledged that it met the target of having a 40% female representation on the Board but did not meet the targets for ethnic diversity and for appointing a female director to a senior board role. However, it had not voted against the company because the company stated that the next NED appointment will increase the ethnic diversity of the board and that it will "include gender diversity as a crucial consideration in considering all appointments to senior board roles". It is also noted that, as at the AGM date, the board will have only 33% women on the Board. At Frasers Group, since the publication of the Parker Review update the company had met the expectation of at least one director from an ethnic minority background.

LGIM was asked what engagement action they had taken with the 47 FTSE 250 companies that had not met the Parker Review target of at least one ethnic minority board member and the 28 companies that had failed to respond to the Review's request for information.
LGIM responded that in 2024, they had voted against two UK companies due to a lack of board-level ethnic diversity: Diploma and Howden Joinery Group; this compares to three companies voted against in 2023.
In 2023, LGIM had written to 49 FTSE 250 and 24 Russell 1000 companies that LGIM considered did not meet minimum expectations on ethnic diversity, which was to have at least one person from an ethnically diverse background on the board. These companies were given until the end of 2024 to meet LGIM's expectations or face voting sanctions.
LGIM had continued to engage with these companies in 2024 and, by the end of the year, they had seen a 61% improvement, with 25 UK companies from the original list now meeting the minimum expectations.
At the end of 2024, of the 24 Russell 1000 companies LGIM had written to, four had left the index and nine had since appointed an ethnically diverse board member: a 45% improvement.
Going into the 2025 AGM season, three companies provided an explanation for not having an ethnically diverse board. The 12 remaining UK companies and five new ones that entered the index will be subject to a vote against the board chair.

In the Russell 1000 Index, 11 companies from the original target list will be subject to a vote against the nomination committee chair (or equivalent). However, changes in the index resulted in 15 additional companies emerging that do not have the requisite ethnically diverse board.
Therefore, LGIM stated that 26 US companies are expected to be subject to a vote sanction in 2025.

The Trustee's voting policy includes voting against the chair of the board of companies for failures to publish equality monitoring data and asked whether LGIM had voted in this way in relation to any company resolutions as opposed to supporting shareholder resolutions. LGIM responded that they do not have this policy.

The Trustee asked what their plans were for continuing LGIM's valuable stewardship work in the United States in relation to race equality despite the election of a President who is abolishing equality, diversity and inclusion programmes.
LGIM responded that the stewardship and investment landscape in the US is evolving at pace, and includes updated guidance from the SEC.
LGIM's investment stewardship activities continue to be implemented as planned and in accordance with its policies and processes, which it pointed out are available on LGIM's website under investment stewardship and governance. LGIM also stated that it would continue to monitor closely and would provide further updates to clients as necessary.

Newton
Newton was also asked what action it had taken with regard to the FTSE 250 companies that either had all-white boards or who had not responded to the Parker Review's requests for information, but did not respond to this.

Of the four FTSE 100 companies listed by the Parker Review of having all-white boards, the Trustee could find that Newton had only voted at one AGM where, at Intermediate Capital, where Newton did not vote against the company on these grounds.
Newton was asked to explain:

- Why they did not vote against any director at Intermediate Capital Group;
- Whether they had engaged or voted against directors at the 47 companies with all-white boards and whether they had any plans to do so in future; and
- Whether Newton had voted against any company resolutions for failures to publish equality monitoring data.

Newton did not provide information in response to these questions.

2.4. Excessive executive pay and low workforce pay
One issue where the LGIM voting policy significantly differs from our Red Line voting policy is that of excessive executive pay as expressed via pay ratios. While LGIM (and the Red Lines) are concerned with a range of remuneration issues, the Trustee board believes that LGIM does not place sufficient weight on the damaging impact of executive pay that is simply far too high in relation to the company's workforce.
According to the High Pay Centre, mean FTSE 100 CEO pay grew substantially in 2023 at £4.98-million, up 12.2% from £4.44-million in 2022 and the highest level since 2017. This increase was about double that of the UK workforce. The pay ratio of the median FTSE 100 CEO to the median UK fulltime worker was 120:1 in 2023. Also according to the High Pay Centre, over the period 28 companies in the FTSE 350 paid their CEOs more than 100 times the median wage paid to their workforce, of which 24 were in the FTSE 100.
These included Experian, Relx, BAE Systems, HSBC, GSK, Aviva, Intertek, BP, Marks & Spencer, Sainsbury and Tesco, all of whose remuneration reports LGIM supported.

Of even greater concern, LGIM supported the remuneration reports of companies that not only pay their CEOs more than 100 times the median pay of their workforce, but also are not registered as (real) Living Wage payers and the board are not aware that they pay the real Living Wage. These were Associated British Foods, Ashtead, BT Group, Whitbread, Kingfisher, Next, Bunzl, AstraZeneca, Centrica, Rentokil and Flutter, along with Mitie and Rolls-Royce (the Trustee noted that LGIM voted against the remuneration policy for the latter two).

The Trustee warmly endorsed LGIM's focussed engagement campaign with a clear escalation strategy to get 15 global food retailers to reduce income inequality within their operations and supply chains, and noted Shareaction's recent report on low pay which indicates that even when companies such as Sainsbury and Marks and Spencer are paying the real Living Wage, according to Shareaction this does not extend to the subcontracted staff such as cleaners and security.

Significant votes:
LGIM was asked to explain why they had supported these excessive pay awards and in particular why they supported the pay awards for CEOs that are more than 100 times the median pay of a workforce for which the same CEOs have not even guaranteed paying a real Living Wage, at a time when millions of people in the UK are living in poverty. The Trustee acknowledged the point LGIM had made in previous correspondence that until such time as companies publicly disclose minimum pay data and data providers capture it, it would remain difficult for the fund manager to target companies on not paying a living wage on a broad scale. So the Trustee asked what action LGIM is taking to push companies to provide this data, especially those that have such excessive pay ratios. The Trustee urged LGIM to consider targetting such companies.

LGIM responded that as a long-term engaged investor, they want to support companies' boards to be able to recruit, retain and incentivise the appropriate talent to sustainably grow the business and encourage innovation without undue risk-taking.
They had not set a strict policy threshold or maximum pay expectation in terms of absolute quantum. Instead, they apply a combination of principle-based and structural expectations to assess companies' executive remuneration and their alignment to long-term sustainable performance and stakeholder experience.
LGIM expects boards to consider whether their company's pay ratio is appropriate within the industry in which it operates. Consideration should also be given as to whether the 'year-on-year' changes in the ratio are appropriate in the light of corporate performance.
However, they stated that they do not apply policy-based voting sanctions based on pay ratios, as LGIM felt that these often do not adequately take into consideration the differences in market norms due to industry and sector, organisational and ownership structures, products and services offered and performance and alignment with the experience of shareholders and other stakeholders.

LGIM also stated that they believe that voting on pay ratios above a certain level may also disproportionately sanction companies that employ large numbers of lower-skilled workers. In addition to employment opportunities, these companies are often also offering an essential service or products to communities, therefore requiring investment and suitable management to be encouraged into these sectors. Nevertheless, the board felt that this approach takes insufficient notice of the following clauses of Section 5 (on remuneration) of the Corporate Governance Code:

Clause 35:
"The remuneration committee ... should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;"
Clause 40:
"When determining executive director remuneration policy and practices, the remuneration committee should address the following: (...) risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;"
Clause 41:
"There should be a description of the work of the remuneration committee in the annual report, including ... reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps".

Regarding the Living Wage, LGIM responded that 50% of the FTSE 100 are not living wage accredited, concurring with the Trustee that, as with Sainsbury and Tesco, that did not necessarily mean that they were not paying the real living wage. In 2023, LGIM had expanded its corporate engagement on paying the living wage and income inequality and launched a targeted engagement campaign on this topic with specific vote sanctions against the re-election of top directors at companies that fail to meet LGIM's minimum expectations by the time of their 2025 AGM. As noted by the Trustee, they had targetted the food retail sector, as LGIM believed these companies to be generally more resilient due to the community service they provide, financially less impacted by the COVID-19 pandemic than other sectors, and with a high proportion of their workforce earning low wages. They had identified 15 global supermarket retailers in developed economies and began engagement with these companies in late 2023.

They reported that in Asian markets that have regulations in place setting (and annually reviewing) the minimum wage, the idea of a living wage was new. They also heard that the concept of a living wage was not on the agenda for other investors with whom these companies engaged. Despite this, some of the companies LGIM engaged with were willing to consider approaching a living wage setting organisation to learn more about this. In European markets, there was more willingness to adopt living wages, but applying this across supply chains was proving far more difficult than initially anticipated, due to the sheer number of companies sourcing from the same suppliers, and the different attitudes towards paying a living wage and agreeing on the appropriate methodology that should be used. In the US, where the federal government has failed to review the minimum wage since 2009, instead leaving the matter to individual states, the responses ranged from asking why should that company go first, to a willingness to explore options by connecting with living wage rate providers.

LGIM also stated that pay ratios are also expected to be higher where executives receive substantial variable pay opportunity in years of good performance. While this may be one reason for a higher differential, it can only reasonably be applied where a company can demonstrate strong outperformance. To address income inequality in the US, a market where executive pay is often outpacing UK levels substantially, LGIM therefore introduced a voting policy that seeks to expose any performance-pay misalignment. As such, from 2024, LGIM had applied additional voting sanctions on the ‘say on pay’ proposals at S&P 500 companies whose total shareholder return (TSR) had underperformed the S&P 500 over the previous three years and their CEO pay ratio exceeds 300.

Newton
Newton also supported the remuneration reports of companies that not only pay their CEOs more than 100 times the median pay of their workforce, but also are not registered as (real) Living Wage payers. These

included Associated British Foods, Ashtead, B&M European Value Retail, BT Group, Next, Rolls-Royce, Bunzl, AstraZeneca and Rentokil.

Significant votes:

- Newton was asked to explain why they had voted in this way, and what action Newton was taking to push companies to provide the data on whether they pay the real Living Wage, especially the companies with excessive pay ratios. Newton was asked to target those companies paying excessive CEO pay awards without registering as paying the (real) Living Wage and London Living Wage or confirming that they do pay at these minimum levels despite not being registered with the Living Wage Foundation.

Newton did not respond to these questions.

2.5. Freedom of association and recognition of trade unions
The Trustee's voting policy sets out a vote against the re-election of the chair of the main board if there is a failure to abide by the UN Global Compact standards on freedom of association, including the recognition of independent trade unions for the purpose of collective agreement. Principle 3 of the UN Global Compact is the clearest of all the Global Compact Principles. It states: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining".
This is particularly important to the BSRS since the scheme sponsor is a major trade union and all the scheme members are trade union officials and staff. The Trustee had studied LGIM's votes at the AGMs of Starbucks, Amazon, Alphabet, Tesla and Walmart, and welcomed LGIM's vote for the shareholder resolution at Amazon to commission a third-party assessment on the company's commitment to freedom of association and collective bargaining. The Trustee also welcomed LGIM's support for a shareholder resolution at Tesla calling for the company to adopt a non-interference policy respecting freedom of association. However, there was concern that no voting action at all was taken at Walmart, Alphabet or Starbucks, and concern also that LGIM had failed to apply its clear policy of voting against the chair of the board. The Trustee supplied a range of publicly reported examples of union-busting from these companies.

Significant votes
- LGIM was asked to explain whether they were satisfied that these companies, which for years had been actively preventing trade unions from representing their workforces, are not featured in their Future World Protection List. They were asked to clarify whether Principle 3 breaches are excluded by their data provider, or whether these five companies are too important to be added to the list.
- LGIM was also asked whether they could confirm whether they would be voting against the chairs of the boards of these companies at their next AGMs if their anti-union practices continue.

In response, LGIM pointed to the methodology of its Future World Protection List and stated that the data was provided by a well-known and highly respected ESG data provider which did not identify these companies as being in breach of the UN Global Compact, which did not answer the question.

LGIM pointed to the following two documents for further information:
LGIM Human rights policy document https://cms.lgim.com/globalassets/lgim/document-library/responsible-investing/human-rights-policyfinal2023.pdf

LGIM’s human capital management approach and expectations https://am-cms.landg.com/globalassets/lgim/document-library/responsible-investing/lgim-human-capital-management-approach-and-expectations.pdf

Newton
The Trustee also studied Newton's voting record at Starbucks, Amazon, Tesla, Alphabet and Walmart, some of which have a growing base in the UK. Unlike other fund managers, Newton voted against the shareholder resolution at Amazon which aimed to commission a third party assessment on the company's commitment to freedom of association and collective bargaining, and against adopting a non-interference policy respecting freedom of association at Tesla. In both cases Newton's rationale was that they did not consider it to add value for shareholders.

The Trustee was also disappointed that Newton took no voting action at the AGMs of either Starbucks or Alphabet regarding their anti-union activities.

Significant vote:

- Newton was asked to explain their voting actions against the Amazon and Tesla shareholder resolutions, and why they took no action at Starbucks and Alphabet.

- They were also asked to set out what engagement or voting actions they intended to take in the coming year if there is no improvement in the companies' behaviour.

Newton did not provide a response to these questions.

2.6. Directors' pension provision
The Trustee's policy is to vote against the remuneration report or policy if the pension contributions for any director are not limited to the director's basic salary and are out of alignment with that of the company's workforce.

LGIM's very similar policy is that LGIM expects companies to ensure that the pension provisions for a new board director, and for others for whom contracts are being re-negotiated, are aligned with what is being offered to a majority of the workforce. In addition, and in line with market practice in this area, LGIM expects incumbent directors' pension provisions to be aligned with what is offered to a majority of the workforce by 2023. LGIM will vote against the remuneration policy where there have been no changes proposed to address a disparity in pension provisions.

The Trustee welcomed LGIM's vote against the remuneration report at Pearson, due to the CEO's pay package being based on the higher US pay levels while the pension provision was based on the UK, as it is more favourable in the UK.

Significant votes
• LGIM was asked what engagement they had had with other companies and how they had voted on the issue other than at Pearson over the period.

LGIM Responded that in 2024, in addition to Pearson, they voted against four other UK companies for pension differentials versus the wider workforce. These companies were Fuller, Smith & Turner Plc, ME Group International Plc, S&U Plc, and Hostel World Group Plc.

LGIM gave further information on their actions at Pearson. Although the company's stated intention was to align the CEO's pay package more closely with US peers, they had elected to use UK practices when it came to his pension. This would result in a pension provision of 16% of salary, which is more than a US executive could expect to receive. At the April 2023 AGM LGIM decided to vote against the policy resolution and escalated their concern by voting against the re-election of the remuneration committee chair. They also pre-declared this vote ahead of the AGM. The remuneration policy vote received 46.4% of votes against, almost failing the 50% approval threshold, and was one of the highest levels of pay dissent in the UK that year.

LGIM had continued their engagement with Pearson. In a post-AGM outreach by the company, in line with the UK Corporate Governance Code expectation on votes with significant dissent, LGIM again clarified their position on choosing a single talent market in which to set pay and had continued to engage with Pearson throughout 2024 on their remuneration, specifically regarding individual aspects, such as bonus deferral provisions, that did not appear to align to LGIM's minimum expectations.
Ultimately in 2024, LGIM voted against Pearson's remuneration report because their bonus opportunity would not be subject to further deferral once the shareholding guideline was met and pension provisions are aligned with UK practice when the quantum of pay was aligned with US practice. LGIM wanted the company to select the pay practices of one country instead of cherry picking the policies from both countries that offered the best outcomes for executives. Due to LGIM's ongoing concerns about remuneration, they also voted against the re-election of the chair of the remuneration committee.

Newton
Significant vote:
Newton was asked to provide details of what engagement they had had with companies and how they had voted on the issue over the period. Newton did not provide a response.

3. Summary of votes cast

Question	LGIM: Global Equity Fixed Weights (50-50) Index Fund *Data was supplied for the year to 31.12.24*	Newton Real Return Fund *Data supplied for the year to 31.10.2024*
What was the total size of the fund as at 31.10.2024?	£3,153,613,097	£2506m
What was the number of equity holdings in the fund as at 31.10.2024?	2924	76
Total size of Scheme assets invested in the fund/mandate as at the end of the Reporting Period (if known)?	Not supplied	£1,893,699.70
How many meetings were you eligible to vote at over the year to 31.10.2024?	2971	72
How many resolutions were you eligible to vote on over the year to 30/06/2024?	37861	1057
What % of resolutions did you vote on for which you were eligible?	99.73%	99.2%
Of the resolutions on which you voted, what % did you vote with management?	81.91%	94.4%
Of the resolutions on which you voted, what % did you vote against management?	17.83%	5.6%
Of the resolutions on which you voted, what % did you abstain from?	0.26%	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	69.26%	36%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.	Newton utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research. Its voting recommendations of are not routinely followed; it is only in the event that we recognise a potential material conflict of interest as described above that the recommendation of our external voting service provider will be applied. We do not maintain a voting policy with ISS. We apply our own Newton voting guidelines, as mentioned above.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	69.26%	5.3%
What is your policy on consulting with clients before voting?	LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas	As an active manager, we are keen to ensure that the decisions surrounding the exercise of ownership rights are aligned with our investment thesis as well as with our clients' expectations.

	seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.	Stewardship activities are fundamental to the investment solutions we provide our clients. We believe the value of our clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. We consider the activities to be an integral and important part of our investment process. For this reason, we prefer to retain discretion in relation to exercising our clients' voting rights and have established policies and procedures to ensure the exercise of global voting rights. Our approach has been designed as an investment-led approach that is aligned with our wider investment activities. Our long-term approach to investing aligns well with our stewardship intentions by seeking to understand and influence the long-term sustainability of the investments and investment landscape and, ultimately, the long-term investment requirements for which our clients are seeking solutions and which are a key reason why they entrust the Newton Investment Management Group (Newton)* to manage their assets. Identifying our clients' requirements and expectations is achieved at the outset of our relationship by way of initial discussions and formal provisions within investment management agreements. Regular meetings and ad-hoc requests from clients and their advisors provide us with additional insights. In addition, we often deliver presentations and training to clients on a variety of aspects of stewardship, which we believe helps support their expectations of their investment managers and also helps them to evolve their own position in relation to stewardship matters. In a practical sense, our understanding of clients' stewardship expectations allows us to articulate clearly and explicitly in engagement meetings with companies the importance that the ultimate beneficiaries place on particular issues.

4. Fixed income

4.1 LGIM High yield bond fund

For the fifth year in succession, the Trustee raised with LGIM the inclusion of Petroleos Mexicanos in the High Yield Bond Fund. This company was the top issuer at over 2% as of September 2024.

The key concern of pension schemes is risk and the Trustee is concerned about the risk factors associated with this company. Sustainalytics gives Pemex an ESG risk rating of "57.8 - severe", and ranks it 274th out of 302 oil and gas producers (with 1 as the lowest risk) and that Pemex features on LGIM's Future World Protection List for breaches of the UN Global Compact.

In Pemex's business plan for 2023-27, as the Trustee had earlier indicated, it states that its 'upstream' focus "remains on the areas with the greatest productive and economic potential and taking advantage of the

experience and skills of their technical staff. The strategy prioritises exploration in onshore areas and shallow waters, while continuing to the accelerated development of new fields and optimising exploitation. The execution of these strategies will allow Pemex to incorporate and recategorize reserves, mitigate the decline and maximise the recovery of hydrocarbons.
"To support the longterm vision, the strategy focuses on exploratory opportunities, evaluating oil potential to incorporate prospective resources and strengthen the exploration portfolio."
The Trustee asked why LGIM continues to hold Pemex in its bond portfolios.

LGIM replied that they understood the Trustee's concerns and stated that PEMEX is the biggest issuer in their comparative benchmark at 2% (ICE BAML Global BB&B, non-financial issuer constrained index) and LGIM are broadly in line with benchmark weight (+0.14% relative to benchmark).

The Trustee is not satisfied with this response. If LGIM is committed to mitigating climate change then continuing to include such a high risk oil and gas company in its High Yield Bond fund would appear to contradict that commitment.

4.2 Royal London Asset Management Multi-Asset Credit Fund
The Trustee had previously asked RLAM whether they had a benchmark on progress to meet the need to limit global warming to well below 2°c against which to measure these metrics, and if so to indicate how the fund's metrics compare.
When they were asked about progress in 2022 RLAM had responded: "During 2022 RLAM engaged with all issuers across all global credit strategies specifically in relation to climate disclosures. RLAM is not a lone voice in requesting this information, and many of the companies we lend to are being asked for this type of data from the investment community at large." They reported that the percentage of the portfolio with carbon data disclosures had improved from about 30% at the beginning of Q1 to about 60% at the end of Q1 2023.
The Trustee welcomed RLAM's previous report that they are continuing to engage with companies where emissions data is unavailable and also estimate the Weighted Average Carbon Intensity (WACI) for those companies without data using sector WACIs, and asked what progress they had made in increasing data quality and coverage since Q4 2023.

RLAM responded that there was a continued improvement in data quality and that, while private companies are still lagging, they are seeing a trend of gradual improvement in data.

RLAM provided tables showing the progress made in terms of Weighted Average Carbon Intensity (WACI) profile for the Fund vs its reference Index. They noted that WACI coverage increased in 2022 / 2023 due to their higher exposure to Investment Grade (IG) companies during the period and as public data improved. Since late 2024, the team had reduced the fund’s exposure to IG holdings, which will be reflected in the WACI in the later part of the year in 2024.

They added: "The fund’s overall Implied WACI trend remains favourable over the long term. As the investment team do not reject a credit purely on its WACI, instead they look to engage with companies to encourage / improve reporting as a means of driving more transparency and gradual improvement. Additionally, given the portfolio’s sector allocations can change, this can drive a higher WACI at times."

RLAM confirmed that they continue to prefer engagement over exclusions – "particularly with regards to climate, our strong preference is to address climate risks through engagement, advocacy and prudent investment risk management rather than by adopting strict company or sector exclusions." Their Net Zero Stewardship Programme with examples of our climate engagement can be found at: Net Zero Stewardship Report 2023

Stewardship
RLAM reconfirmed that they have a dedicated fixed-income stewardship programme conducted at firm level and that the investment team continue to fully integrate E, S & G issues as part of the investment process with a direct effect on the internal ratings of the credit.

The Trustee asked about RLAM's priorities and examples of its engagement with issuers pre-issuance and post-issuance. They responded that for the 12 months ending December 2024, there were a total of 45 engagement conducted on behalf of the Multi-Asset Credit Fund, with 18 unique engagements.
Engagements were conducted across 10 key topics, with three key primary areas of focus:

- **Just transition** – eight engagements seeking issuers to create or amend policies.
- **Climate transition** – 11 engagements focused on policy, target adoption and information disclosure.
- **Corporate governance** – three engagements focused on governance improvements, disclosure and additional information for investors.

The Trustee welcomed RLAM's engagement during the previous year with Amazon on the matters of freedom of association and race, two major policy concerns of the trustee board.

While this fund is a multi-asset credit fund, as RLAM had referred to shareholder resolutions the Trustee looked at RLAM's votes on resolutions on Amazon's behaviour towards trades unions at the AGMS of the last three years, and warmly welcomed RLAM's support for all of them.

RLAM responded: "As you rightly note, our Multi-Asset Credit Fund held a position in Amazon debt in 2023. Amazon is an investment grade-rated credit, and was held as part of an overweight allocation to investment grade credit throughout the year. Our investment grade allocation peaked at c.16% in 2023, whereas at the end of 2024, we held 6.5%. This reduced allocation reflects our view that there are more attractive parts of the credit universe to allocate to at this stage in the economic cycle. Amazon was one of the credits sold as part of this reduction, and it is no longer held in the Fund. As a business we do continue to engage with Amazon, and our Responsible Investment team will be meeting with Amazon representatives with the intention to discuss these points during their meeting."

The Trustee asked for details of how RLAM had pursued their Net Zero and Just Transition policies over the period through engagement with issuers included in the RLAM Multi-Asset Credit Fund.

RLAM responded that they had initially committed 71% of total assets under management to be managed in line with Net Zero. "Our primary engagement objective is to evaluate and influence companies which represent 70% of Royal London Asset Management's financed emissions to adopt emissions reductions targets and transition plans that are reinforced by credible science-based methodologies. Our Climate Transition Assessment methodology is based on 12 indicators as per our Net Zero Stewardship Programme. Through this approach, we expect to influence real-economy decarbonisation that will in turn support our target of a 50% reduction in emissions by 2030. Although it may be far quicker and easier to divest from carbon intensive companies and sectors, divesting heightens the risk that assets will fall under the stewardship of less responsible owners – divestment strategies can therefore have very little real-world impact on emissions when there is still demand for fossil fuels. Royal London Asset Management chooses to tackle climate change rather than avoid it. We believe, through cooperation and accountability, it is still possible to prevent the worst effects of global warming. Details of our net zero stewardship programme can be seen here along with engagement examples: Net Zero Stewardship Report 2023".

RLAM has been advocating for a 'just transition' which asks companies and governments to consider the social implications of moving to a low-carbon economy. "It is an inclusive approach which helps avoid exacerbating existing injustices or creating new ones; continuing our collaboration with Friends Provident Foundation (FPF) and building on our successful just transition engagement with utilities, banks and social housing.
"In 2024 we have focussed on our just transition engagement with banks. Given the important role that banks play in the financing of fossil fuels and relating to proxy season, in 2024 we asked questions at several banks' AGMs about fossil fuel financing, green financing, and consideration of facilitated emissions. In collaboration with ShareAction, we signed AGM statements which were posed to four banks. The tailored questions were asked at the AGMs of HSBC, Credit Agricole, BNP Paribas, and Société Generale. We received generally positive responses from company chairs in particular, BNP Paribas and Credit Agricole announced that they will no longer underwrite bonds for the oil and gas sector."

5. CBRE's Osiris Property Fund

This fund has been in wind down since March 2020 and the size of the portfolio is reducing over time.
CBRE Investment Management is a signatory to TCFD and supports the TCFD recommendations.
CBRE's overall approach to ESG and Sustainability for CBRE Investment Management is covered by the Firm's Global Sustainability Policy (https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-globalesg-policy.pdf) and Sustainability Vision (https://mediaassets.cbre.com//media/project/cbre/bussectors/cbreim/cbreimsustainability-vision.pdf).
CBRE also published a Global Climate Report which is aligned with TCFD recommendation.

CBRE were asked to outline any sustainability goals in relation to the Osiris Property Fund and progress in meeting these goals. They responded that in addition to the policy and vision referred to above, as a signatory to the Net Zero Asset Managers initiative ("NZAMi"), CBRE Investment Management has net zero carbon emissions targets. Where they have direct control of an asset and management discretion of their long-term core strategies, they have committed to implement actions to achieve net zero carbon performance and physical resilience for Scopes 1 and 2 by 2040 or sooner and for Scope 3 by 2050. For all other business strategies, they have committed to deliver net zero carbon performance and physical resilience for Scopes 1, 2 and 3 by 2050.

CBRE IM is aware of the recent announcement by NZAM in relation to a review of the initiative. While NZAM undergoes this review, CBRE stated that it remained steadfast in their commitment to integrating sustainability into their investment practices. They stated that their focus on sustainability remained fundamental to creating value, managing risk, and maximizing long-term investment returns. CBRE recognize that regulatory landscapes are continuing to evolve, and it is vital to maintain an approach that aligns with regulatory requirements and client expectations. They will closely monitor the outcome of NZAM's review.

The fund has not set any long-term sustainability goals as it is in wind-down.

CBRE was asked what progress it has made in supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net-zero emissions by 2050 or sooner.

CBRE's highlights included:
Becoming a signatory to the Net Zero Asset Managers initiative (NZAMi);
Helping to develop a new net zero standard with the International Organization for Standardization (ISO). The new standard was launched in November at the UN COP27 Convention on Climate Change;
CBRE received ISO 14001 certification for their Environmental Management System;
Process integration: they Improved the sustainability data and information that is discussed in their investment committees, as well as enhanced their asset management tools and processes.
Launching several programmes to advance sustainability fluency and accountability across the company, including their Sustainability Ambassador programme, comprising 120 people across the company.

The Trustees asked CBRE for an update on the very welcome example provided previously regarding an office development under way in Edinburgh. The plan was to refurbish the property to deliver an all-electric building with strong ESG credentials and complete the refurbishment, lease the building and exit on completion of the leasing programme, likely in September 2025.

CBRE reported that the project reached practical completion on 21 February 2025.
The property is on target to be accredited as EPC[2] 'A' and BREEAM[3] 'Excellent' post completion. The building has been extensively refurbished, saving over 5,000 tonnes of embodied carbon compared to a redevelopment and achieving the RIBA 2030 whole life carbon built target. The refurbished building is fully electric, and includes a new roof terrace, wellness amenities and three EV charging spaces.
Pre-let terms have been agreed and negotiations are progressing well with a legal firm for a 15-year lease across the top four floors on the property.

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[2] *https://assets.publishing.service.gov.uk/media/5a821a74ed915d74e3401be1/A_guide_to_energy_performance_certificates_for_the_marketing__sale_and_let_of_dwellings.pdf*
[3] *https://breeam.com/about/how-breeam-works*

6. Taskforce on Climate Related Financial Disclosures
As stated in the introduction to this implementation statement, the board chose to try to collect initial data and reports from the fund managers in relation to the TCFD recommendations and the information disclosed will assist the board to continue to develop its investment and stewardship policy and strategy with regard to climate change.

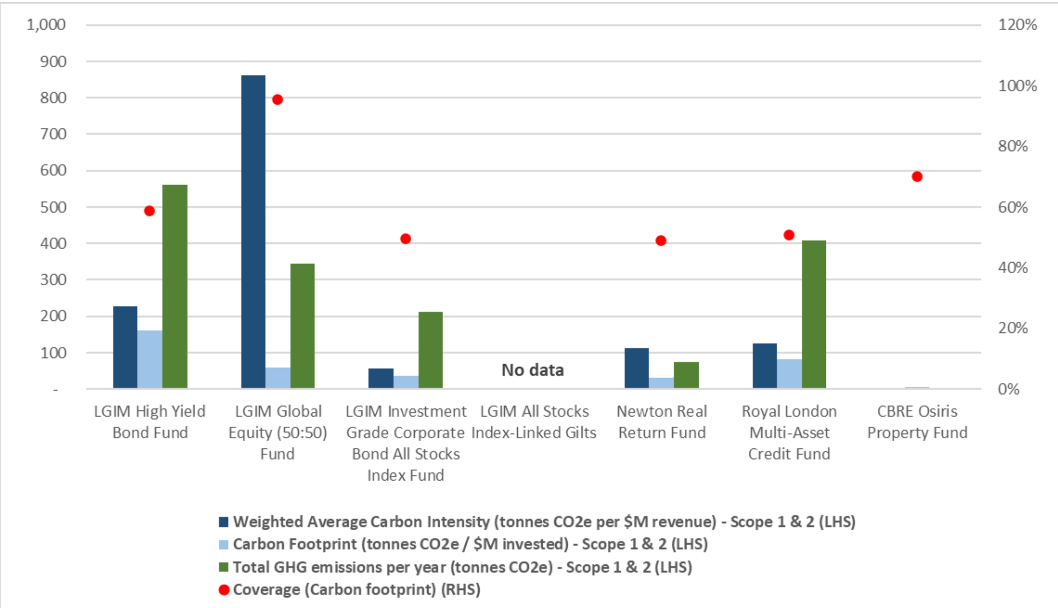
The corporate trustee directors asked the fund managers to
• supply their responses to the TCFD recommendations on governance, strategy and risk management; and
• complete the new PLSA carbon emissions template.

The TCFD reports for the fund managers are as follows:

https://am-cms.landg.com/globalassets/lgim/_document-library/climate-impact-pledge/cro_cip-2024-final-8de7.pdf

https://www.rlam.com/globalassets/media/literature/reports/royal-london-2023-climate-report.pdf
www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/2022-global-climate-report.pdf

6.1 Carbon disclosure metrics



Source: Investment managers. Data as at 31 October 2024 (or closest date where data is available).

Portfolio alignment metrics
LGIM High Yield Bond Fund – 2.8°C
LGIM Global Equity (50:50) Fund – 2.4°C
LGIM Investment Grade Corporate Bond All Stocks Index Fund – 2.3°C
Royal London Multi-Asset Credit Fund – 3.4°C

7. Conclusion
The Trustee is pleased to have been able to report the decisive actions taken during this period on the matters of climate change and stewardship.

Having undertaken preparatory training and having regard to the advice of the scheme's investment adviser, the Trustee adopted a commitment to net zero by 2050 or earlier and began implementing the new policy. The Trustee carried out reviews of its multi-asset credit funds and its equity funds across all three pension schemes governed by the Trustee board, with assistance and recommendations from the investment advisor. The funds that were selected also had a net zero target.

In doing so the Trustee was also able to resolve two longstanding problematic areas with regard to global warming and stewardship.

The first was the inclusion of Petroleos Mexicanos as the largest issuer in the LGIM High Yield Bond Fund. The Trustee had raised this issue with LGIM repeatedly over several reporting periods with no action from the fund manager. The issue was not about LGIM including oil companies in their fund, but the inclusion of this particular company in the light of its business plans and its ESG risk rating by Sustainalytics as "52.6: severe risk", placing it at number 217 out of 294 oil and gas producers, and 14,930 out of their 'global universe' of 15,131. The fund had had an implied temperature alignment of 3.3c.

The disinvestment from this fund and move to the M&G Sustainable Total Credit Fund will therefore help the BSRS to progress towards its net zero target.

The second long-running problem had been the continued refusal of Newton Asset Management to enter into discussion about the Trustee's concerns on voting issues, exacerbated in this reporting period by its failure to act in alignment with a very high Trustee ESG priority: freedom of association and collective bargaining. The Trustee hopes that disinvestment from this fund and move to the M&G Sustainable Total Credit Fund will result in a better discussion and more influence in future over the stewardship of these assets.

This year's SIP implementation statement indicates again why it is so important that fund managers honour their clients' voting policies, or if they will not do so, that pension funds use their own voting policies to try to hold them to account. This report again shows that because the fund managers are not following the Trustee's voting policy they had been voting in contradictory ways, with one voting for a resolution and another voting against, for example LGIM supporting shareholder resolutions on freedom of association and collective bargaining at Amazon and Tesla, while Newton Asset Management voted against both.

Nevertheless, following the Trustee's consistent engagement with fund managers over our priority issues we have seen further welcome progress, particularly on diversity. The Trustee reported last year that it had adopted its stewardship engagement priorities across the three pension schemes that it governs all of which have a common scheme sponsor, and following its engagement with four equity fund managers on the issue of ethnic minorities on boards all had included ethnic minorities on boards as a voting policy with some voting against the chair of the nomination committee at companies failing on this policy issue. This meant that shareholder votes of more than £2.5-trillion can now be used to vote against companies that are failing to meet their Parker Review targets. Over the current reporting year this developed further, with the continued positive evolution of LGIM's policies on equality and diversity including their decision to seek to engage with proxy voting organisations to raise minimum standards of diversity across various markets.

The engagement with the Trustee's other asset managers responsible for fixed income and property has also produced useful information and served to hold them to account.

The Trustee concludes that this active engagement with our fund managers has continued to prove to be of value.