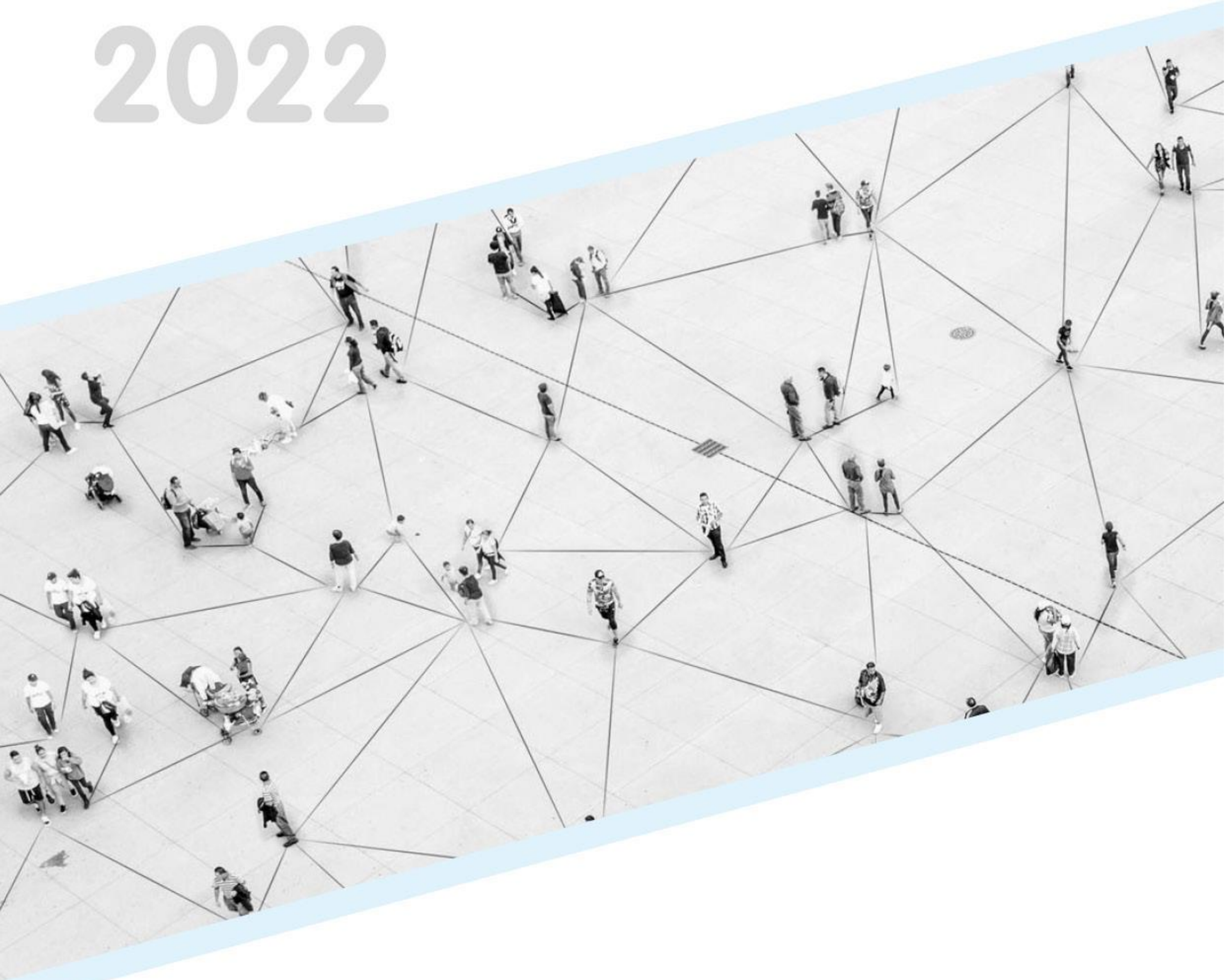
Implementation statement – B&CE Staff Pension Scheme

for the year ended 31 December 2022

2022



Profit for people

Implementation Statement

This Implementation Statement has been produced by the Trustees of B&CE Staff Pension Scheme ('the Scheme') and sets out the following information over the year to 31 December 2022:

- how the Trustees' policies on exercising rights (including voting rights) and engagement have been followed over the year; and
- 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.

Stewardship policy

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 Trustees' policy on voting and engagement is set out in the Scheme's Responsible Investment ('RI') Policy, which forms part of the Statement of Investment Principles. To enable the Trustees to make high quality decisions, the fact-finding and analysis is delegated to the in-house investment team of People's Partnership and the Trustees' independent investment advisers. The Trustees' RI Policy notes a key priority of engaging with companies in an investment portfolio regarding issues believed to have a material impact (both positive and negative) on future returns. The Trustees are looking for fund managers who are prepared to:

- Be transparent and accountable;
- Enhance and evolve ESG practices in markets;
- Develop long-term partnerships with companies and guide them through the evolution in ESG practices.

In addition, the Trustees will take into account whether their managers are signatories to the Principles for Responsible Investment (PRI) and UK Stewardship Code. All of the managers are signatories to the PRI, as well as the Scheme's investment adviser. All of the managers were signatories to the 2012 UK Stewardship Code. All fund managers, as well as the Scheme's investment adviser, are signatories to the 2020 UK Stewardship Code.

The Trustees have established ownership/voting principles with their managers. These principles include researching companies, identifying any issues and then engaging with them as necessary. Voting and engagement focuses on a range of themes including:

- Election of Directors and Boards;
- Accounting and Audit Related Issues;
- Capital Structure, Reorganisation and Mergers;
- Compensation;
- Environmental and Social Issues.

How voting and engagement policies have been followed

The monitoring and reporting on RI is as shown below, along with the actions taken in respect of the year under review.

1. The Trustees' investment advisers produce an annual sustainability report summarising the voting and engagement activity of the fund managers based on a review of reports and other information provided by the fund managers. This includes information on voting and engagement, together with ratings on voting and engagement in action, as well as scores provided by the PRI on different asset classes where available. This is to ensure that managers used by the Scheme continue to meet the Trustees' standards in this area. Where any material areas of disagreement are identified these are highlighted to the Trustees.

   The Trustees undertook a review of the stewardship and engagement activities of their fund managers via receipt and review of their investment advisers' report (issued in February 2023). The contents of the report were reviewed and discussed by the Trustees in their meeting during the first quarter of 2023. The result of the review was that the Trustees were satisfied that the actions of their fund managers were reasonably in alignment with the Scheme's stewardship policies and no significant remedial action was required at that time. This is an annual review.

2. Where relevant, the Trustees' investment advisers consider a fund manager's stewardship credentials when advising on investment issues.

   There were no changes in fund managers the Scheme employed over the year. Managers' stewardship credentials form part of the annual sustainability review as outlined in item 1, above, and any noteworthy developments are also noted in quarterly investment monitoring reports.

3. As the Trustees invest in funds alongside other investors, they recognise that their chosen managers' prioritisation of issues for engagement and voting may not be the same as their own. As far as practicable, the Trustees undertake a formal engagement process with each manager every year to ensure that there is a good alignment of views and issues to prioritise over the coming year.

   This was not deemed necessary over the year under review. This reflects the reporting provided by the Trustees' investment advisers as noted in item 1, above.

4. The Trustees expect investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts.

   The Trustees reviewed the contents of this Statement prior to signing.

Voting and engagement data is set out in the remainder of this Statement for the relevant funds/managers.

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 December 2022. The assets held within the Protection Portfolio held with LGIM and the SSGA Global Aggregate Bond Index Sub-Fund do not have voting rights attached.

Manager	State Street (SSGA)	BNY Mellon
Fund name	International (Developed 100% Hedged) ESG Screened Index Equity Fund	BNY Mellon Real Return Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
No. of eligible meetings	2,731	75
No. of eligible votes	33,077	1,270
% of resolutions voted	98.9%	100.0%
% of resolutions abstained[1]	1.6%	0.0%
% of resolutions voted with management[1]	89.5%	89.1%
% of resolutions voted against management[1]	10.6%	10.9%
Proxy voting adviser employed	SSGA contract Institutional Shareholder Services' (ISS) to administer proxy voting, assist in applying SSGA's voting guidelines, provide research and analysis relating to general corporate governance issues and specific proxy items, and provide proxy voting guidelines in limited circumstances. SSGA also has access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. All final voting decisions are based on their proxy voting policies and in-house operational guidelines.	BNY Mellon 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 are not routinely followed; it is only in the event that BNY Mellon recognise a potential material conflict of interest that the recommendation of their external voting service provider will be applied. BNY Mellon do not maintain a voting policy with ISS. They apply their own BNY Mellon voting guidelines, as mentioned above.
% of resolutions voted against proxy voter recommendation	8.0%	7.1%

[1] As a percentage of the total number of resolutions voted on

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 the Scheme's stewardship priorities, which are listed in the "Stewardship policy" section above.

The Scheme has established ownership/voting principles. These were re-confirmed with the Scheme's investment managers as part of preparing this Statement. As noted above, as the Scheme invests in funds alongside other investors, the Trustees recognise that their chosen managers prioritisation of issues for engagement and voting may not be the same as their own but look for good alignment.

The Trustees have selected 8 significant votes for the SSGA fund from a longer list provided by the manager of votes that they deem significant. The 8 votes chosen by the Trustees are based on voting themes the Trustees focus on and the largest holdings within these themes. BNY Mellon have provided a selection of 10 votes for the BNY Mellon Real Return Fund. The Trustees selected all 10 votes based on voting theme as the most significant votes.

A summary of the significant votes provided is set out below.

State Street, International (Developed 100% Hedged) ESG Screened Index Equity Sub-Fund – Table 1 of 2

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Apple Inc.	Shin-Etsu Chemical Co., Ltd.	Alphabet Inc.	Booking Holdings Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.7%	0.1%	1.4%	0.15%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Elect Director	Community-Environment Impact	Link Executive Pay to Social Criteria
Management recommendation	For	For	Against	Against
How SSGA voted	Against	Against	For	Against
Rationale for the voting decision	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	SSGA voted against the nominee due to the lack of gender diversity on the board and the company has not engaged in successful dialogue on SSGA's board gender diversity program for three consecutive years.	This proposal merits support as the company's disclosure and/or practices related to climate change can be improved.	This item does not merit support due to concerns with the terms of the proposal.
Outcome of the vote	For: 64% Against: 36%	SSGA were unable to provide the outcome of this vote	For: 23% Against: 77%	For: 15% Against: 84%

State Street, International (Developed 100% Hedged) ESG Screened Index Equity Sub-Fund – Table 1 of 2 (continued)

	Vote 1	Vote 2	Vote 3	Vote 4
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.			
Criteria on which the vote is considered "significant"	Compensation related proposal	Director election related proposal	Environmental related shareholder proposal	Compensation related shareholder proposal

State Street, International (Developed 100% Hedged) ESG Screened Index Equity Sub-Fund – Table 2 of 2

	Vote 5	Vote 6	Vote 7	Vote 8
Company name	Microsoft Corporation	Tesla, Inc.	Amazon.com, Inc.	Meta Platforms, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.7%	1.5%	2.0%	0.8%
Summary of the resolution	Report on Climate Change	Community - Environment Impact	Facility Safety	Advisery Vote to Ratify Named Executive Officers' Compensation
Management recommendation	Against	Against	Against	For
How SSGA voted	Against	For	Abstain	Against
Rationale for the voting decision	This proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.	This proposal merits support as the company's environmental disclosure and/or practices can be improved.	SSGA abstained on the proposal as the company's disclosure and/or practices related to facility safety are broadly in line with market standard but could be enhanced.	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
Outcome of the vote	For: 11% Against: 89%	For: 35% Against: 64%	For: 13% Against: 87%	For: 86% Against: 14%
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.			
Criteria on which the vote is considered "significant"	Environmental related shareholder proposal	Environmental related shareholder proposal	Environmental and social related shareholder proposal	Compensation related proposal

BNY Mellon Real Return Fund – Table 1 of 2

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Alphabet Inc.	Bayer AG	BioPharma Credit PLC	Booking Holdings Inc.	ConocoPhillips
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.0%	1.1%	1.1%	1.0%	1.2%
Summary of the resolution	Disclose more information on algorithmic systems	Advisery Vote to Ratify Named Executive Officers' Compensation	Approve Capital Raising (x2)	Elect Director (x4); Advisery Vote to Ratify Named Executive Officers' Compensation	Advisery Vote to Ratify Named Executive Officers' Compensation
How BNY Mellon voted	For	Against	Against	Against	Against
Rationale for the voting decision	The company is facing increased scrutiny from media and investors on its ability to manage racial biases in its algorithmic systems. It recently fired a member of its Ethical AI team for highlighting biases in its system. This raises concerns and therefore, warrants additional information.	BNY Mellon voted against the company's executive remuneration arrangements. The supervisory board exercised discretion for STIPs resulting in pay-outs that are not aligned with the company's performance. The management continues to be rewarded for underperformance where 40% of long-term awards vested despite share price lagging the benchmark.	BNY Mellon voted against proposals related to share issuance as the authority sought by the company for share issuance with and without pre-emptive rights is high. In addition, the company has not provided a commitment that shares would be issued at a premium to NAV. In the absence of these safeguards for shareholders, there could be scope for significant value dilution.	BNY Mellon voted against the executive pay and withheld votes against the incumbent members of the compensation committee. While the bonus pool is based on set performance goals, individual pay-outs are subjective in nature, and determined by the compensation committee on a discretionary basis.	BNYM voted against remuneration arrangements as they note a slight misalignment in pay and performance that is aggravated by concerns around LTI grants. The LTI are constantly earned above targets, casting doubt over the stringency of the awards. The STI scorecard lacks disclosure on key pieces of information that would allow BNY Mellon to mitigate pay-for-performance concerns.
Outcome of the vote	19% voted for	76% voted against	Resolution Withdrawn	Director election: < 10% voted against Compensation: 68% voted against	39% voted against
Implications of the outcome	Given that a majority of the voting rights are controlled by the company's executives, the vote result of the resolution shows a majority of the company's minority shareholders retain fundamental concerns. Near 20% votes in favour of all shareholder proposals is a clear indication as to where the company is expected to make improvements to allay such concerns.	The vote outcome demonstrates the dissatisfaction of the shareholders regarding the pay practices of the company. Such overwhelming dissent cannot be ignored and BNY Mellon expect the company to reach out to shareholders for feedback to be able to effectively allay their concerns.	BNY Mellon assumes that the company realised the vote outcome would not be favourable and therefore, withdrew the resolution. While BNY Mellon's level of investment means it is unlikely that they will engage with the company, they have stated that they will continue to make voting decisions in the best interests of their clients.	The vote outcome is a clear indication of shareholder dissatisfaction with pay practices at the company. The dissent recorded is significantly large and is likely to push the company to reach out to shareholders for feedback. It supports BNY Mellon's viewpoint of enhanced scrutiny in U.S markets around executive pay.	The outcome reflects increasing scrutiny and dissatisfaction of shareholders with executive pay practices where the company will need to conduct external discussions to be able to effectively address shareholder concerns.

BNY Mellon Real Return Fund – Table 1 of 2 (continued)

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Criteria on which the vote is considered "significant"	Social related shareholder proposal	Compensation related proposal	Capital structure related proposal, plus that it is highly unusual for resolution proposals to be withdrawn ahead of a meeting.	Director election and compensation related proposals	Compensation related proposal

BNY Mellon, Real Return Fund – Table 2 of 2

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Greencoat UK Wind PLC	Microsoft Corporation	Norfolk Southern Corporation	Sanofi	TE Connectivity Ltd.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.7%	1.0%	0.9%	1.0%	1.1%
Summary of the resolution	Elect Director, Approve Issuance of Equity or Equity-Linked Securities with or without Pre-emptive Rights	Ratify Auditors	Elect Director	Elect Director, Advisery Vote to Ratify Named Executive Officers' Compensation, Approve Remuneration Policy	Approve Issuance of Equity or Equity-Linked Securities with or without Pre-emptive Rights
How BNY Mellon voted	Against	Against	Against	Against	Against
Rationale for the voting decision	BNY Mellon voted against the proposed share issuances and the re-election of the chairperson of the board. They raised concerns over the past share issuance. They believe the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.	BNY Mellon voted against the ratification of the company's auditor given the firm has served in the capacity for 39 years raising concerns around its independence and objectivity.	BNY Mellon voted against the chair of the nomination committee due to the board not being sufficiently gender diverse with the board not increasing its female representation for several years in a row.	BNY Mellon voted against executive remuneration arrangements and members of the compensation committee. The structure of the plan allows for vesting despite underperformance. In addition, the new remuneration policy is proposing to increase the base salary of the CEO without providing a reasonable justification. It also failed to provide sufficient information on the performance share plan.	BNY Mellon voted against a proposal to issue shares which may exclude pre-emptive rights. The proposed pool of capital would correspond to 50% of the issued share capital, which is considered excessive.
Outcome of the vote	Director election: 15% voted against Capital issue: 11% voted against	5% voted against	9% voted against	Elect Director: 22% voted against Compensation of CEO: 8% voted against Compensation Policy of CEO: 11% voted against	50% voted against

BNY Mellon, Real Return Fund – Table 2 of 2 (continued)

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Implications of the outcome	The vote outcome demonstrates that a super majority of shareholders are not concerned with the potential valuation dilution. As such, these shareholders' right to complain is lost should the company place new shares with investors that are priced below the share's net asset value.	The vote outcome implies that a few investors share BNY Mellon's concern around auditor independence and effectiveness. However, BNY Mellon have stated that they will continue to exercise their voting right to encourage auditor rotation.	BNY Mellon will monitor at next year's AGM if the votes against the nomination committee chair have prompted the board to engage on and appoint a female director and to communicate.	BNY Mellon expect that the board will seek to address investor concern by either providing clear justification for the individual director's membership of the remuneration committee or for him to step off the committee. When put into context of director elections, it is rare for an individual to attract such a high level of dissent.	The vote outcome provides a clear message to the company that shareholders are concerned with the potential dilution that would occur should the capital raising proposals be enacted.
Criteria on which the vote is considered "significant"	Director election and capital structure related proposals	Accounting and audit related proposal	Director election related proposal	Director election and compensation related proposals	Capital structure related proposal

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.

LGIM carry out engagement activities at a firm-wide level, however, they are able to provide some information on their engagements at a fund level as well. Engagement activities are limited for the Scheme's LDI funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	BNY Mellon	LGIM	
Fund name	BNY Mellon Real Return Fund	Buy and Maintain Credit Fund	Sterling Liquidity Fund
No. of entities engaged on behalf of the holdings in this fund in the year	26	17	17
No. of entities engaged at a firm level in the year	161	1,008	

State Street carry out engagement activities at a firm-wide level and the information provided reflects this. The data below is a summary of State Street and LGIM's global engagement at a firm level for the year to 31 December 2022.

Manager	State Street (SSGA)	LGIM
Number of companies engaged	816	1,008
Number of engagements on environmental topics	369	576
Number of engagements on governance topics	671	627
Number of engagements on social topics	431	443

Manager	State Street (SSGA)	LGIM
Examples of engagements undertaken with holdings in the funds	SSGA's main engagement topics include: • Climate Change • Human capital management • Diversity, Equity, and Inclusion • Effective Board Leadership	LGIM's main engagement topics include: • Remuneration • Climate change • Board composition • Strategy • Gender diversity

Examples of engagement activity undertaken over the year to 31 December 2022

State Street

Santos Limited, Environmental related engagement

In May 2022, State Street engaged with Santos Limited to discuss their Climate Transition Action Plan and capital allocation plans around decarbonisation, developing lower carbon fuels, and investing in carbon capture and storage projects. During the engagement, State Street highlighted opportunities to enhance certain areas of disclosure in line with peers in the Australian market including adopting short-term greenhouse gas targets, strengthening disclosure on current and planned capital investments to achieve interim and long-term climate goals, and providing more detail on emissions reduction strategies for operated assets, including methane monitoring and reduction efforts.

Regarding Scope 3 emissions, State Street see an opportunity for Santos Limited to provide enhanced disclosure on opportunities for incremental Scope 3 reductions in line with their guidance. While State Street recognise the challenges around Scope 3 calculation and reduction efforts, investor demand for Scope 3 GHG targets is growing, and it is becoming market practice among major oil and gas companies in European and North American markets to adopt such goals. State Street also believe investors would also benefit from information on IRR requirements for low carbon projects which would provide additional transparency into how the company is thinking about return hurdles for low carbon investments compared to conventional investments.

As a result of their assessment and engagement with the company, State Street voted ABSTAIN as Santos aligns with several elements of their expectations but has an opportunity for improved disclosure. State Street believe that enhanced disclosure in line with the items above would give investors more comfort around Santos' strategy to operationalise their climate goals and better align with disclosure practices among oil and gas companies locally and globally. State Street are committed to an ongoing dialogue with the company and will monitor progress on their climate transition plan commitments

BNY Mellon

Shell, Environmental related engagement

BNY Mellon met management in order to get a better understanding of the voluntary carbon-offset market given the company actively trades and has also ventured into developing its own nature-based solution (NBS) projects generating carbon offsets. Specifically, BNY Mellon wanted to learn about the supply and demand dynamics and the pricing trends over the medium to long term.

The company believes carbon offsets are a necessary part of the toolkit to get to net zero. The company favours better quality of carbon offsets and only trades and invests in high-quality offsets such as those with gold and platinum standard. BNY Mellon note that there are some concerns around the creditability of NBS projects in the market. The company currently captures six million tons of CO2 through NBS and has a target to reach 120 million tons by 2030. It plans to source the majority of these credits from its own projects in the longer term. BNY Mellon note that it takes nine years for forests to yield significant offsets. The company has purchased projects at various development stages which are expected to yield results in less time. The company highlighted that current carbon prices are in the range of US$50-60, whereas the carbon offset prices trade at a range of US$3-25, which provides room for a sustainable business model with a win-win situation, including for the local communities. It sees business and commercial opportunity in the carbon-offset space in addition to the climate-change angle.

The details BNY Mellon got from the conversation were a bit short of their expectations. BNY Mellon intend to continue their interactions with Shell on carbon markets as well as its new energy initiatives considering the company has first mover advantage and industry leading positions in a lot of these.

Examples of engagement activity undertaken over the year to 31 December 2022 (continued)

LGIM

Unite Group, Social related engagement

In 2020, LGIM launched a campaign to engage with the largest 100 companies in the UK and the largest 500 companies in the US on ethnic diversity at board level. LGIM requested that they should have ethnically diverse representation at board level by 2021, or face voting sanctions.

Of the 79 companies with whom LGIM engaged due to them not meeting their expectations, LGIM ultimately only voted against one US company. However, due to turnover during the year and new board appointments, several new companies have been flagged as having no ethnic diversity. Therefore, LGIM continued their focus and wrote during the quarter to the remaining laggards in the FTSE 100 and S&P 500, to remind them of their expectations and that voting sanctions will apply if diversity is not improved. There are six companies within these indices (including Unite Group) that currently do not have any ethnicity on the board and voting sanctions will be applied at the 2023 AGM if progress is not made.

LGIM have also widened their scope for this campaign and plan to engage those companies failing to meet their minimum expectations within the broader FTSE 250 and Russell 1000 indices. LGIM’s expectation for the companies in these additional indices is identical but, in line with the UK’s Parker Review, LGIM allow these smaller companies more time to meet their expectations and will therefore expect compliance by 2024.

For more information:

01293 586666

info@bandce.co.uk

www.bandce.co.uk

B & C E Financial Services Limited
Manor Royal, Crawley, West Sussex, RH10 9QP. Tel 0300 2000 555 Fax 01293 586801.

XX BCE 1792.0923