Implementation statement – B&CE Staff Pension Scheme

for the year ended 31 December 2023

2023

Profit for people

Implementation Statement

B&CE Staff Pension Scheme

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 2023:

- 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 dated September 2020. To enable the Trustees to make high-quality decisions, the fact-finding and analysis are 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 environmental, social, and governance (ESG) practices in markets; and
- 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 and the Scheme's investment adviser are signatories to the PRI. All fund managers, as well as the Scheme's investment advisor, are signatories to the 2020 UK Stewardship Code.[1]

The Trustees have established ownership or voting principles with their managers. These principles include researching companies, identifying any issues, and then engaging with them as necessary. Voting and engagement focus 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

The Trustees have interpreted these areas as their stewardship priorities within their RI policy over the year to 31 December 2023.

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

[1] In relation to the BNY Mellon Fund, the underlying manager is Newton Investment Management, and it is they who are signatories of the Stewardship Codes.

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 2024). The contents of the report were reviewed and discussed by the Trustees in their meeting during the first quarter of 2024. The result of the review was that the Trustees were satisfied that no immediate, significant remedial action was required at that time. Some actions were identified in relation to the Scheme's managers around their stewardship priorities, but it was agreed to reconsider these as part of an upcoming investment strategy review in 2024. 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 the fund managers the Scheme employed over the year. Managers' stewardship credentials form part of the annual sustainability review as outlined in item 1, on the previous page, 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, on the previous page.

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 and managers.

Prepared by the Trustees of the B&CE Staff Pension Scheme

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 2023. The assets held within the Protection Portfolio with Legal & General Investment Management (LGIM) and the State Street Global Aggregate Bond Index Fund have no voting rights attached.

Manager	State Street Global Advisors (SSGA)	The Bank of New York Mellon Corporation (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	2,824	71
No. of eligible votes	34,413	1,139
% of resolutions voted	98.0%	99.3%
% of resolutions abstained[1]	1.3%	0.0%
% of resolutions voted with management[1]	88.2%	92.0%

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

Manager	State Street Global Advisors (SSGA)	The Bank of New York Mellon Corporation (BNY Mellon)
% of resolutions voted against management[1]	11.7%	8.0%
Proxy voting adviser employed	SSGA contracts 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 (a major American proxy advisory services company) 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 recognises 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	8.3%	5.1%

Significant votes

The change in Investment and Disclosure Regulations that came into force in 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 (from the Department for Work and Pension (DWP) in June 2022) 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. There are several other votes that could be considered significant votes too, which can be found here: Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance - GOV.UK (www.gov.uk).

The Scheme has established ownership and voting principles. 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. However, they look for good alignment and consider this as part of their annual review of sustainability matters. Through the information detailed in this Statement, they are comfortable that the voting undertaken on their behalf was broadly reflective of their own policies and not inconsistent with the stewardship priorities as set out in their RI policy. Whilst the Trustees did not notify their asset managers what they consider to be the most significant votes in advance of those votes being taken, their RI policy (which includes information on stewardship priorities) was re-confirmed with the investment managers in the first half of 2023.

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 has 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 given broad alignment with their stewardship priorities.

A summary of the significant votes is set out on the following pages.

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

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	Microsoft Corporation	Meta Platforms, Inc.	Amazon.com, Inc.	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.8%	1.3%	2.3%	1.4%
Summary of the resolution	Report on Climate Risk in Retirement Plan Options	Report on Executive Pay Calibration to Externalized Costs	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation
How SSGA voted	Against	Against	For	Against
Rationale for the voting decision	SSGA voted against the proposal as they believe the proposal seeks to micromanage the company's approach to employee benefits and total rewards.	SSGA voted against the proposal as they believe it is overly prescriptive and does not provide the compensation committee with appropriate discretion to determine which metrics are best suited for determining executive compensation outcomes.	SSGA supported the proposal as they believe pay for performance is aligned.	SSGA voted against the proposal due to the executive's mega grant, which resulted in excessive quantum.
Outcome of the vote	SSGA were unable to provide the outcome of this vote (this was requested but not provided at the point of issue).			
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 and social-related shareholder proposal	Compensation	Compensation

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	McDonald's Corporation	Berkshire Hathaway Inc.	Toyota Industries Corp.	Canon Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.4%	0.8%	0.1%	0.1%
Summary of the resolution	Adopt Policy to Phase Out Use of Medically Important Antibiotics in Beef and Pork Supply Chain	Report on Audit Committee's Oversight on Climate Risks and Disclosures	Elect Director Sumi, Shuzo	Elect Director Homma, Toshio
How SSGA voted	Against	For	Against	Against
Rationale for the voting decision	SSGA voted against the proposal as the company's current disclosure aligns with their expectations.	SSGA supported the proposal as the company fails to meet their climate-related disclosure expectations. Investors would benefit from disclosure on climate risk governance and how the company assesses the potential impacts of climate risks on the business.	SSGA voted against the nominee due to the lack of gender diversity on the board.	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 3 consecutive years.
Outcome of the vote	SSGA were unable to provide the outcome of this vote (this was requested but not provided at the point of issue).			

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

	Vote 5	Vote 6	Vote 7	Vote 8
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 and social-related shareholder proposal	Environmental-related shareholder proposal	Director Election	Director Election

BNY Mellon Real Return Fund – Table 1 of 2

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Barrick Gold Corporation	ConocoPhillips	NextEra Energy, Inc.	CME Group Inc.	CME Group Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%	0.9%	0.5%	0.8%	0.8%
Summary of the resolution	Elect Director J. Brett Harvey	Elect Director Robert A. Niblock	Elect Director Sherry S. Barrat	Elect Director Timothy S. Bitsberger	Elect Director Charles P. Carey
How BNY Mellon voted	Against	Against	Against	Against	Against
Rationale for the voting decision	BNY Mellon voted against the lead director, whom they consider to be non-independent owing to excessive tenure, given the roles of chair and chief executive officer are combined.	BNY Mellon voted against the lead director, whom they consider to be non-independent owing to excessive tenure, given the roles of chair and chief executive officer are combined.	BNY Mellon voted against the non-independent Lead Director given the roles of Chair and CEO are combined.	BNY Mellon voted against the re-election of the members of the compensation committee in line with their voting recommendation on executive remuneration arrangements. Furthermore, in their opinion, the company did not exhibit adequate responsiveness to last year's significant shareholder dissent on executive pay.	
Outcome of the vote	14% voted against	19% voted against	91% voted for	30% voted against	45% voted against
Implications of the outcome	From the company's point of view, the dissent is not sufficient for them to engage with shareholders to discuss improvements in governance structures. However, a good part of the shareholder base has taken cognisance that governance structures, in particular the board structure, can improve. BNY Mellon feels the dissent would only increase if the company doesn't take the necessary steps to address these concerns.	From the company's point of view, the dissent is not sufficient for them to engage with shareholders to discuss improvements in governance structures. However, a good part of the shareholder base has taken cognisance, that governance structures, in particular the board structure, can improve. BNY Mellon feels the dissent would only increase if the company didn't take the necessary steps to address these concerns.	The low level of dissent shows that BNY Mellon's concerns were not widely shared by shareholders, notably US-based shareholders.	This is the second consecutive year when the underlying say-on-pay proposal has not been approved by shareholders, which is a clear indication of consistent shareholder dissatisfaction with the pay practices at the company. BNY Mellon expects the company to reach out now to shareholders to seek input for improvements, otherwise, they expect shareholders to put further pressure on director accountability through adverse recommendations at director elections. .	

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'	BNY Mellon expects to continue recognising their fundamental governance concerns through their voting and engagement activities.	BNY Mellon expects to continue recognising their fundamental governance concerns through their voting and engagement activities.	Concentrated board leadership is a risk to smooth board functioning and would require an independent lead director, which is not the case here.	The level of shareholder dissent against the compensation committee director, as well as the underlying say-on-pay proposal, merits this vote as significant.	

BNY Mellon, Real Return Fund – Table 2 of 2

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Universal Music Group N.V.	Unilever PLC	Shell plc	NextEra Energy, Inc.	Lockheed Martin Corporation
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.7%	1.2%	2.0%	0.5%	1.0%
Summary of the resolution	Approve Remuneration Report	Approve Remuneration Report	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Disclose Board Skills and Diversity Matrix	Report on Efforts to Reduce Full Value Chain GHG Emissions in Alignment with Paris Agreement Goal
How BNY Mellon voted	Against	Against	Abstain	For	For
Rationale for the voting decision	BNY Mellon voted against executive remuneration arrangements due to a misalignment between pay and performance. In addition, there were inadequate disclosures around the quantum of pay and thresholds, targets, or the overall cap being used for variable pay outcomes. This made it difficult to assess the robustness of the pay structure and establish the link between pay and performance. Furthermore, there were one-off awards granted without any compelling justification or not linked to any measurable performance conditions. Furthermore, there were significant pay increases granted to executive(s), and there was an absence of a compelling rationale for this.	BNY Mellon voted against executive pay arrangements due to significant pay increases granted to executive(s) and the absence of a compelling rationale for this.	BNY Mellon abstained on the proposal requesting an alignment of the 2030 Scope 3 reduction target to the Paris Agreement. While the argument is acknowledged, the manager felt that voting in favour of this resolution can be considered as overstepping on management's prerogatives in strategy setting. However, BNY Mellon has abstained in line with their views that the current transition plan merits more robust 2030 goals in order to gain credibility.	BYN Mellon supported this shareholder proposal requesting the disclosure of a board skills and diversity matrix as they believed it would help shareholders assess how the company is managing related risks.	BNY Mellon supported a shareholder proposal asking for a report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement, as, in their view, more information on the company's plans to transition towards a low-carbon economy would help shareholders better assess this risk.

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

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Outcome of the vote	41% voted against	58% voted against	80% voted against	49% voted for	33% voted for
Implications of the outcome	This is the second consecutive year that a majority of minority shareholders failed to support the CEO's compensation, with the dissent increasing year-on-year. The company should recognise this significant level of dissent, and determine the mitigating steps required to avoid a similar or worse vote outcome occurring in the future. Furthermore, BNY Mellon expects the company to reach out to shareholders and ask their views to improve remuneration arrangements.	The vote outcome is a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year under review. The company has reached out to shareholders, and BNY Mellon has communicated their concerns and reasons for adverse vote recommendations. BNY Mellon will continue exercising future votes in support of their views surrounding significant salary increases and alignment between pay and performance.	The significant dissent against the proposal shows concern from the shareholder base around Shell's transition plan.	The high level of support shows that the issue is significant to shareholders, and BNY Mellon would expect the company to consider that a significant shareholder base would want to see the implementation of a board skill matrix.	The support received for the shareholder proposal is substantial and must be accounted for. BNY Mellon would expect the company to provide enhanced disclosures, especially around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes.
Criteria on which the vote is considered 'significant'	This vote provides an example of where a majority of the company's minority shareholders disagreed with the company's pay practices.	The failed vote outcome owing to significant shareholder dissent merits this vote as significant.	As a significant GHG emitter, it is critical for Shell to have a credible transition plan. Abstaining from this resolution would convey to the company, in addition to BNY Mellon's engagement, the need to add credibility to its transition planning.	The vote is considered significant due to the materiality of the issue at hand and the level of support.	BNY Mellon determined this vote as significant owing to the rarity of a shareholder proposal receiving significant support.

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 and SSGA 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 more limited for the Scheme's liability-driven investment (LDI) funds due to the nature of the underlying holdings, so engagement information for these assets has not been shown.

Manager	BNY Mellon	LGIM		SSGA
Fund name	BNY Mellon Real Return Fund	Buy and Maintain Credit Fund	Sterling Liquidity Fund	International (Developed 100% Hedged) Screened Index Equity Sub-Fund
No. of entities engaged on behalf of the holdings in this fund in the year	9	81	13	381
No. of entities engaged at a firm level in the year	41	2,343		935*

SSGA and LGIM 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 2023.

Manager	SSGA	LGIM
Number of companies engaged	935*	2,343
Number of engagements on environmental topics	196	2,009
Number of engagements on governance topics	731	553
Number of engagements on social topics	417	346
Examples of engagements undertaken with holdings in the funds	SSGA's main engagement topics include: • Effective board oversight • Climate risk management • Human capital management • Diversity, equity, and inclusion	LGIM's main engagement topics include: • Deforestation • Climate change • Remuneration • Ethnic diversity • Diversity

*Number of engagements over the year to 31 December 2023.

Examples of engagement activity undertaken over the year to 31 December 2023

State Street

Marathon Petroleum Corporation: environmental-related engagement

In 2022, SSGA initiated an engagement campaign with global companies across the oil and gas value chain focused on understanding efforts to manage methane emissions and related regulatory, reputational, market, financial, and other risks and opportunities. The manager discussed disclosures and best practices on topics including methane emissions detection, monitoring, measurement, and reporting. Methane emissions management is an ongoing topic of focus in SSGA's climate engagements with companies in the energy sector.

SSGA conducted 6 engagements with Marathon Petroleum Corporation ('Marathon Petroleum') between 2022 and 2023. They discussed several climate topics to better understand their approach to climate-related targets, decarbonisation strategy, and approach to managing potential social risks and opportunities related to this strategy. They also discussed the company's approach to managing methane emissions and shared feedback on related disclosures.

In Q4 2023, SSGA held an engagement to discuss the company's latest climate-related disclosure published in 2023. Marathon Petroleum disclosed additional detail on the company's efforts to reduce methane emissions, such as controlling emissions from reciprocating compressors and converting pneumatic devices. The company reported expected methane emissions reductions from each action through 2030 as well as estimated planned capital expenditures to achieve these reductions. Furthermore, the company enhanced disclosure on pursuing a more measurement-based methane emissions inventory and common findings from enhanced monitoring within the midstream sector, including higher emissions from methane slip. Based on new data and revised emissions factors, the company plans to update its methane targets in 2024 and continues to evaluate opportunities to reduce methane emissions.

BNY Mellon

Boston Scientific Corporation ('BSC'): social-related engagement

Due to worries about the ESG profile and past product safety and quality issues with MESH, one of their products, investors are hesitant about investing. BNY Mellon wanted to understand and gain reassurance on measures taken to prevent future product recalls and mitigate concerns around quality and safety.

The company has implemented corrective actions in the form of new launch safeguards - the key being measured launches for new products in select centres where it oversees training and ensures physicians have the requisite expertise. It also instituted more rigorous real-world data collection for the life of the product to get ahead of safety issues that crop up over time.

However, it failed to provide specifics or anecdotal evidence related to how it has conducted limited market releases for key products in the recent past to demonstrate leading safety and quality practices and ongoing process improvements, especially given the past controversy around MESH.

The company attributed the ongoing ESG-controversy flagging by service providers to the persistent financial materiality. A reserve of $400m is allocated for known and estimable claims related to the MESH lawsuits.
While no immediate concerns are evident, the possibility of an additional charge to bolster reserves for remaining claims cannot be entirely ruled out.

While the company has taken positive steps in product safety and quality, it could demonstrate this better by providing real-time evidence of recent product launches. Specifics, such as the number of centres in limited launches, documents taught, launch expansion criteria, safety outcomes in the real world, and a comparison of that to the product label, would enhance transparency. A more detailed account is sought for addressing ESG concerns and establishing BSC as a benchmark in the healthcare industry. BNY Mellon will continue to check-in and monitor progress at least annually.

LGIM

Nucor Corp: environmental-related engagement

Under their Climate Impact Pledge (a commitment to help companies achieve the objective of limiting carbon emissions to net zero by 2050), LGIM selects around 100 ‘dial-mover’ companies for in-depth engagement, using their qualitative framework set out in their sector-specific guides. ‘Dial-mover’ companies are chosen on their size and potential to galvanise action in their sectors, reflecting LGIM’s aim of driving market-level improvements.

LGIM was pleased to see that Nucor, one of their ‘dial-mover’ companies, has announced a net-zero emissions commitment with interim targets and a published decarbonisation plan. Nucor is the largest steel producer in the US and among the top 20 in the world; steel is pivotal to the energy transition, being central to the auto industry and renewable energy infrastructure.

While LGIM recognises that corporate decisions are the product of a range of factors, their engagements under the Climate Impact Pledge are based upon their sector-specific guides and ‘red lines’, which include a commitment to net-zero operational emissions. LGIM had voted against the Chair of the company at its 2023 annual general meeting (AGM) for failing to meet this ‘red line’ at the time, so the announcement of the company’s commitment, interim targets, and plan is very welcome.

This is not the first time that LGIM has seen a commitment from the company after voting against its Chair: in 2021, LGIM voted against the Chair for a lack of emissions reduction targets, and the subsequent year, the company set them, meaning they received no sanctions from LGIM in 2022.

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