

# Implementation Statement

## *Implementation Statement, covering the Scheme Year from 1 April 2022 to 31 March 2023*

The Trustee of the BMA Staff Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

This Statement is based on and uses the same headings as the Scheme's SIP that was in place during the Scheme Year - dated July 2022. A copy of the latest SIP is available online at the following address: [The Pensions Directory \(pensions-directory.co.uk\)](https://www.pensions-directory.co.uk). We reference the relevant sections of the SIP to which this Statement relates in the various sections below.

In preparing the Statement, the Trustee has had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

### 1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was September 2019.

The voting and engagement policies from the SIP (dated July 2022) that were in place during the Scheme Year are set out below:

*"We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.*

*We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.*

*We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.*

*We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice."*

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Scheme's managers and funds over the Scheme year, as described in Section 2 (Voting and engagement) below.

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## 2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

- LGIM: [LGIM's Engagement Policy 2020](#)
- Lazard: [Lazard Proxy Voting Policy and Procedures Overview \(lazardassetmanagement.com\)](#)

However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

The Trustee reviews the Scheme's managers' climate capabilities on a quarterly basis.

Following the introduction of DWP's guidance, the Trustee received training from their investment advisor and agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the January 2023 meeting, the Trustee discussed and agreed stewardship priorities for the Scheme which were:

- climate change,
- biodiversity, and
- business ethics (including in particular board remuneration, modern slavery and human rights).

These priorities were selected because the Trustee identified them as key market-wide risks and areas where it believes good stewardship and engagement can improve long-term financial outcomes for the Scheme's members. The Trustee communicated these priorities to its managers in March 2023. The Trustee received acknowledgement of this letter from the majority of its managers.

Following the Scheme Year end, the Trustee updated their Voting and Engagement policy to reflect the above changes.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

Additionally, in June 2022 the Trustee received training on an introduction to net zero for pension funds from its investment adviser, LCP. The training was to develop the Trustee's knowledge in an important area and outlined what other pension funds are doing and the key considerations when thinking about setting a net zero target.

The Trustee also receives updates on responsible investment matters including ESG and Stewardship related issues from its investment advisers.

## 3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- LGIM Low Carbon Transition Developed Markets Equity Index Fund;
- LGIM MSCI World Minimum Volatility Index Fund; and
- Lazard Emerging Markets Fund (fully disinvested in September 2022).

In addition to the above, the Trustee contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Commentary provided from these managers is set out in Section 3.4.



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## 3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The Trustee communicated its stewardship priorities to the managers in March 2023, and is comfortable that their voting and engagement policies are aligned with the Trustee's views. A link to the managers' voting policies are included in Section 2 and are set out below.

### Legal and General Investment Management "LGIM"

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

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 they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which LGIM believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to LGIM's voting judgement. LGIM has strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

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 LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

### Lazard Asset Management ("Lazard")

Lazard's policy is to vote proxies on a given issue in the same manner for all clients. With full proxy authority, Lazard attempts to vote on 100% of the portfolio on a best-effort basis. This is subject to market restrictions due to share-blocking, custodial support, and the availability of timely research on agenda items. Lazard has approved specific proxy voting guidelines regarding various common proxy proposals. These guidelines set out whether Lazard professionals should vote for or against a specific agenda item in every instance or whether an issue should be considered on a case-by-case basis.

If an investment professional seeks to vote in a manner that contradicts the guidelines, which is rare, Lazard's Proxy Committee must approve the vote. The investment professional must provide the committee with a detailed rationale for their recommendation, and the Proxy Committee will then determine whether or not to accept and apply that vote recommendation to the specific meeting's agenda. Case-by-case agenda items are evaluated by Lazard's investment professionals based on their research of the company and evaluation of the specific proposal. Lazard's approach is based on the view that Lazard, in its role as investment manager, must vote proxies based on what it believes will:

- maximize sustainable shareholder value as a long-term investor; and
- is in the best interest of its clients.

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Lazard currently subscribes to advisory and other proxy voting services provided by Institutional Shareholder Services Inc. ("ISS") and Glass, Lewis & Co. ("Glass Lewis"). These proxy advisory services provide independent analysis and recommendations regarding various companies' proxy proposals. While this research serves to help improve Lazard's understanding of the issues surrounding a company's proxy proposals, Lazard's Portfolio Manager/Analysts and Research Analysts (collectively, "Portfolio Management") are responsible for providing the vote recommendation for a given proposal except when the Conflicts of Interest policy applies. ISS provides additional proxy-related administrative services to Lazard. ISS receives on Lazard's behalf all proxy information sent by custodians that hold securities on behalf of Lazard's clients and sponsored funds. ISS posts all relevant information regarding the proxy on its password-protected website for Lazard to review, including meeting dates, all agendas and ISS' analysis.

The Proxy Administration Team reviews this information on a daily basis and regularly communicates with representatives of ISS to ensure that all agendas are considered and proxies are voted on a timely basis. ISS also provides Lazard with vote execution, recordkeeping and reporting support services. Members of the Proxy Committee, along with members of the Legal & Compliance Team, conducts periodic due diligence of ISS and Glass Lewis consisting of an annual questionnaire and, as appropriate, on site visits.

### 3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the Scheme Year is provided in the table below.

The Scheme had a residual holding in the Insight Broad Opportunities Fund at the start of the Scheme year, making up less than 1% of total Scheme assets, which was fully disinvested from in June 2022. Given the immaterial size and length of the holding, we have excluded the fund's voting data for the purposes of this Statement.

Manager name	LGIM	LGIM	Lazard <sup>1</sup>
Fund name	Low Carbon Transition Developed Markets Equity Index Fund	MSCI World Minimum Volatility Index Fund	Emerging Markets Fund
Total size of fund at end of the Scheme Year (£m)	£1,767m	£412m	£306.7m
Value of Scheme assets at end of the Scheme Year (£m)	£17.7m	£21.6m	-
Number of equity holdings at end of the Scheme Year	1,482	317	74
Number of meetings eligible to vote	1,760	392	88
Number of resolutions eligible to vote	24,018	5,610	1,007
% of resolutions voted	99.8	99.6	100.0
Of the resolutions on which voted, % voted with management	78.5	77.2	85.9
Of the resolutions on which voted, % voted against management	21.3	22.7	7.1
Of the resolutions on which voted, % abstained from voting	0.2	0.1	7.0
Of the meetings in which the manager voted, % with at least one vote against management	81.0	82.1	39.3



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Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	15.0	16.6	1.9
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<sup>1</sup>The Scheme fully disinvested from the Lazard Emerging Markets Fund in tranches in September 2022. As such, part-period voting data from 01/04/2022 to 30/09/2022 is shown for to cover the period of the Scheme's investment.

### 3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting managers provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested they could use the PLSA's criteria<sup>2</sup> for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The interpretations of what the managers constitute a "significant vote" are confirmed below.

#### LGIM

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/ or public scrutiny;
- significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- sanction votes as a result of a direct or collaborative engagement;
- votes linked to an LGIM engagement campaign, in line with LGIM's Investment Stewardship 5-year ESG priority engagement themes.

#### Lazard

Lazard have considered most significant votes in the following order:

1. Any "Say on Climate" management proposal;
2. a select group shareholder proposal where Lazard voted for the proposal and against management;
3. any vote considered controversial by Lazard's investment professionals; and
4. any managerial proposal where Lazard voted against management.

The resultant proposal buckets are then ranked by the company's average holding within the fund/or portfolio over the period under review to identify the top 10 votes for disclosure in the template.

Lazard's voting approach is based on their global governance principles which lays out their expectations of company management. They are founded on the belief that long-term shareholder value is enhanced through a more comprehensive assessment of stakeholder management. This includes governance issues such as remuneration policies, independence of appointed board members, human capital issues including employees, suppliers, their customers, and the community, as well as natural capital issues, including the dependency and use of natural resources and their approach to manage climate change risk. Lazard believe that they must vote in a manner that:

<sup>2</sup> [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select "most significant votes" from the long list of significant votes provided by their investment managers.

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- will maximize sustainable shareholder value as a long-term investor;
- is in the best interest of its clients; and
- the votes that it casts are intended in good faith to accomplish those objectives.

The Trustee has reported on one or two of these significant votes per fund, to cover its chosen stewardship priorities. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

Fund Name	LGIM Low Carbon Transition Developed Markets Equity Index Fund	
Company Name	Alphabet Inc.	McDonald's Corporation
Date of vote	1 June 2022	26 May 2022
Summary of the resolutions	Report on physical risks of climate change.	Report on Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders.
How you voted	For	For
Rationale for the voting decision	LGIM expects companies to be taking sufficient action on the key issue of climate change.	As last year, LGIM voted in favour of the proposal as they believe the proposed report will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) continues to be a key focus of the LGIM Investment Stewardship team's engagement strategy. LGIM believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, people and global GDP. This is unfortunately further substantiated through the recent study published in the Lancet at the beginning of 2022 by the Global Research on AntiMicrobial resistance (GRAM) project: Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis. While LGIM note the company's past efforts to reduce the use of antibiotics in its supply chain for chicken, beef and pork, LGIM believe AMR is a financially material issue for the company and other stakeholders, and that concerted action is needed sooner rather than later. By supporting this proposal, LGIM want to signal to the company's board of directors the importance of this topic and the need for action.
Criteria for selecting this vote as "most significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.



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Fund Name	LGIM MSCI World Minimum Volatility Index Fund	
Company Name	Amazon.com, Inc.	Mitsubishi Corp.
Date of vote	25 May 2022	24 June 2022
Summary of the resolutions	Elect Director Daniel P. Huttenlocher	Amend articles to disclose greenhouse gas emission reduction targets aligned with goals of Paris Agreement.
How you voted	Against	For
Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	LGIM expects companies to be taking sufficient action on the key issue of climate change.
Criteria for selecting this vote as "most significant"	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Fund Name	Lazard Emerging Markets Fund	
Company Name	BB Seguridade Participacoes SA	
Date of vote	29 April 2022	
Summary of the resolutions	Approve Remuneration of Company's Management	
How you voted	Against	
Rationale for the voting decision	A vote against this proposal is applied because the company's disclosure lacks transparency regarding key remuneration figures.	
Criteria for selecting this vote as "most significant"	See the start of section 3.3.	

### 3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers which don't hold listed equities, but invest in assets that may have had voting opportunities during the period:

- **ICG-Longbow UK Real Estate Debt Investments V:** ICG-Longbow confirmed that it does not sit on any board for its real estate funds and therefore has no voting opportunities.
- **Permira Credit Solutions IV Senior:** In respect of the fund, Permira has confirmed that:
  - As a general matter, in cases where the Permira Credit Solutions (PCS) funds do hold board seats, these are predominantly board observer seats as opposed to formal board seats with voting rights.
  - The main exception to the above are cases in which the asset has been restructured and PCS funds have taken equity ownership.