

Implementation Statement, covering the Scheme Year from 1 April 2023 to 31 March 2024 (the “Scheme Year”)

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 its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 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

The voting and engagement policies in the SIP were reviewed and updated during the Scheme Year (in June 2023) to reflect the addition of the Scheme’s stewardship priorities. Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The voting and engagement policies from the SIP (dated June 2023) 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.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers’ voting and engagement activities. We review the themes regularly and update them if appropriate. The current priorities are climate change, biodiversity and business ethics (including board remuneration, modern slavery and human rights).

We communicate these stewardship priorities to our managers. If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.”

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.

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](#).

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 voting and engagement.

In the previous Scheme year, following the introduction of DWP's guidance, the Trustee set stewardship priorities to focus its monitoring and engagement efforts with its investment managers on specific ESG factors. These were: Climate Change, Biodiversity, and Business Ethics (including in particular board remuneration, modern slavery and human rights). These priorities remained in place during the current Scheme year.

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. During the Scheme year (in June 2023), the Trustee updated its Voting and Engagement policy in its SIP 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, the Trustee invested in a new pooled fund during the Scheme year (in August 2023), the AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund. The Trustee considered the stewardship and ESG credentials of the manager as part of the wider appointment decision. The Fund has an explicit annual decarbonisation target which was a key reason why the Trustee decided to make this appointment.

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 with LGIM and the Trustee has delegated to LGIM 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 LGIM's voting and engagement behaviour on an annual basis and challenges them 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 Future World Developed Minimum Volatility Index Fund.

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.

3.1 Description of the voting processes

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

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.

3.2 Summary of voting behaviour

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

	LGIM Low Carbon Transition Developed Markets Equity Index Fund	LGIM Future World Developed Minimum Volatility Index Fund
Total size of fund at end of the Scheme Year	£1,838.2m	£172.8m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£32.3m (11.0%)	£30.9m (10.6%)
Number of equity holdings at end of the Scheme Year	1,416	652
Number of meetings eligible to vote	1,607	412
Number of resolutions eligible to vote	22,507	5,849
% of resolutions voted	99.8	99.6
Of the resolutions on which voted, % voted with management	78.0	76.6
Of the resolutions on which voted, % voted against management	21.8	23.2

Of the resolutions on which voted, % abstained from voting	0.2	0.2
Of the meetings in which the manager voted, % with at least one vote against management	81.3	80.5
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	16.3	18.9

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from LGIM, is set out below.

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 LGIM provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested LGIM could use the PLSA's criteria¹ for creating this shortlist. By informing LGIM of its stewardship priorities and through its regular interactions with them, the Trustee believes that LGIM will understand how it expects them to vote on issues for the companies they invest in on its behalf.

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

LGIM's interpretations of what constitutes a "significant vote" is 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.

LGIM Low Carbon Transition Developed Markets Equity Index Fund

Company Name	Constellation Brands, Inc.	JPMorgan Chase & Co.
Date of vote	18 July 2023	16 May 2023
Summary of the resolutions	Approve a Report on Support for a Circular Economy for Packaging	Report on Climate Transition Plan describing efforts to align financing activities with greenhouse gas targets
Relevant stewardship priority	Climate Change and Biodiversity	Climate change
Approximate size of holding at date of vote (%)	0.1%	0.8%

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Why this vote is considered to be "most significant"	Relates to multiple stewardship priorities	Relates to the climate change stewardship priority
How you voted	For.	For (against management recommendation)
Rationale for the voting decision	LGIM votes in favour due to the belief that improving the recyclability of products will have a positive impact on climate change and biodiversity.	LGIM generally supports resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how the company intends to achieve the 2030 targets they have set and published to the market can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
Was the vote communicated to the company ahead of the vote?	No.	Yes.
Outcome and next steps	Fail (25% For). LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	Fail (34.8% For). LGIM will continue to engage with the company and monitor progress.

LGIM Future World Developed Minimum Volatility Index Fund

Company Name	Mizuho Financial Group, Inc.	Pearson Plc
Date of vote	23 June 2023	28 April 2023
Summary of the resolutions	To amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement	To approve the remuneration policy
Relevant stewardship priority	Climate Change	Business ethics (in particular board remuneration)
Approximate size of holding at date of vote (%)	0.6%	0.1%
Why this vote is considered to be "most significant"	Relates to the climate change stewardship priority	Relates to the business ethics stewardship priority
How LGIM voted	For (Against Management Recommendation)	Against (Against Management Recommendation)
Rationale for the voting decision	LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs	The changes to the remuneration policy centred around the fact that the company's CEO is based in the US and should therefore be compensated in line with US peers. As a result, there was a higher proposed annual bonus opportunity and long-term incentive award. However, they have also elected to use UK practices when it comes to his pension. This would result in a pension provision of 16% of salary, which is more than his US peers typically receive.

	<p>since 2020, and have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies.</p> <p>Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world.</p>	<p>LGIM voted against the policy because they felt the company should not pick and choose the regions (UK/US) to set executive pay based on which region offers the highest opportunity.</p>
Was the vote communicated to the company ahead of the vote?	Yes.	Yes.
Outcome and next steps	Fail (19% For). LGIM will continue to engage with the company and monitor progress.	Pass. LGIM will continue to engage with the company and monitor progress.

9.4 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 Scheme Year:

- **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.
 - In the past, there have been cases where PCS funds have taken a formal board seat with voting rights due to the nature of the transaction (non-sponsored). The funds do not utilise proxy voting, so there were no instances of proxy voting in the twelve months to 31 March 2024.
- **M&G Secured Property Income Fund:** M&G confirmed that this fund did not have voting opportunities over the period.
- **SSGA Corporate Bond Fund:** SSGA confirmed that the fund did not have voting opportunities over the period.
- **AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund:** AXA confirmed that this fund did not have voting opportunities over the period.