BECTU Staff Retirement Scheme Statement of Investment Principles implementation statement for the scheme year ending 31.10.2023.

The Occupational Pension Schemes (investment and Disclosure) (Amendment) Regulations 2019 require defined benefit pension schemes to produce and publish a statement which must set out how, and the extent to which, the scheme's policies on stewardship have been followed during the scheme year, and describe the voting behaviour by, or on behalf of, the trustees, including the most significant votes cast by the trustees or on their behalf, during the scheme year, stating any use of the services of a proxy provider. This is the second SIP implementation statement published by the Bectu Staff Retirement Scheme, for the year ending 31st October 2023.

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

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

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

During the scheme year to October 31st 2023 the Trustee board discussed adopting the climate goal of net zero and resolved to undertake training in preparation for this. (The training was completed by the trustee board of directors on 26 February 2024.)

The corporate trustee directors chose to try to collect initial data and reports from the fund managers in relation to the TCFD recommendations and the information disclosed here will assist the board to develop its investment and stewardship policy and strategy with regard to climate change.

1. The trustee's policy on engagement and voting rights

The Statement of Investment Principles (SIP) was reviewed during the year. It includes the following::

"The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.

"The Trustees currently have no alternative but to delegate the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. The Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

"The Trustees have adopted the Red Line Voting policies published by the Association of Member Nominated Trustees as an appropriate set of policies that the Trustees wish to guide their fund managers in the stewardship of their investments. To date, the fund managers have been reluctant to accept these policies and until this changes, the Trustees have no option but to allow the investment managers to continue exercising

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

the investment rights attaching to the assets in any pooled funds according to their own policies. The Trustees will endeavour to hold the managers to account in relation to the exercising of these investment rights.

"The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance).
Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will monitor and review the information provided by the investment managers."

2. Voting and engagement: equity managers

LGIM: Global Equity Fixed Weights (50-50) Index Fund
Newton: Real Return Fund

2.1. Fund manager refusal to accept trustees' voting policy
The BSRS has adopted the Association of Member Nominated Trustees' Red Line Voting policy which the fund managers have previously refused to honour. The corporate trustee directors agree with the government and TPR on the importance of having a voting policy as it sets out the trustee's views on how fund managers should engage and vote, at the AGMs of companies in which the scheme invests, on a range of matters covering environmental (including climate change), social and governance issues. Even where fund managers refuse to act on the basis of the client's voting policy, it can still be used as a benchmark to hold the fund managers to account. The corporate trustee directors asked both fund managers to reconsider their decision not to accept their voting policy.

LGIM did not respond directly to this, instead highlighting that the unit linked funds in which the scheme invests via its unit linked insurance contract issued by Legal and General Assurance (Pensions Management) Ltd would be managed in accordance with the scheme's SIP to the extent permitted by the terms of the trustee's unit linked insurance policy and PMC's description of funds.

Newton had previously indicated that they were looking at operational solutions, observing what is happening in the market and looking into how a proportionate voting system could work but that it was not possible at that time. The Trustee asked for an update.
Newton responded that they could not provide a material update to that which they had supplied in the previous year and that they continue to monitor developments, including with the fund operator (BNY Mellon), but at present they have no firm plans to introduce this service.

The Trustee reminded Newton that BlackRock and others are offering clients 'expression of wish', and that the AMX/DWS fund has gone so far as to offer clients a choice of voting policies of which the Red Lines are one. Tumelo is working with fund managers on this also, so in fact it is possible to act on clients' voting policies if the will is there.

2.2 Priorities for engagement
The directors prioritised the following issues: climate change, recognition of trades unions, ethnic minorities on boards, equality monitoring, excessive executive pay, the 'real' living wage and directors' pension provision.

The directors chose to request information on 'significant votes' on a thematic basis. In other words rather than select one vote at one company AGM to report on (eg how they voted on a shareholder resolution at one company's AGM) the directors chose to request information on how the fund manager voted on an issue (eg how often they had voted against companies that had failed to abide by the TCFD disclosure requirements). The directors believe that this approach can result in obtaining a clearer and wider picture of the fund managers' activities in relation to the scheme's stewardship priorities.

Newton refused to enter into any discussion on the significant votes selected by the Trustee. Newton supplied their PLSA voting template, covering the BNY Mellon Real Return Fund "for the year to 31 October 2022. We have completed the significant votes section in line with our internal significant vote definition. We are cognisant of the changes implemented by DWP last year, but Newton manages assets on behalf of hundreds of UK pension schemes and our focus remains on delivering on the stewardship priorities we have set on their behalf." So Newton had in effect imposed its own choice of significant votes upon the client. The PLSA template (see below) indicated that Newton had voted with management on 92.1% of all votes cast. All the significant votes that Newton had selected were votes against the management position. The Trustee had selected thematic significant votes in order to understand, and hold the fund managers to account for, votes that were not aligned with the trustee's voting policy. Newton's refusal to allow their clients to select their own significant votes, nor to answer questions on these issues, has left the Trustee unable to hold Newton to account for their voting actions.

Newton stated: "Regrettably, we are not in a position to provide granular responses to your detailed questions. We would encourage you to continue to review the Stewardship-related materials we publish to our website periodically (see https://www.newtonim.com/uk-institutional/responsible-investment/)."

2.3 Climate change

The Trustee welcomed LGIM's tougher stated approach requiring companies to report in line with guidance of the Taskforce on Climate Related Financial Disclosures (TCFD), particularly in the light of a report by ShareAction which stated that support for shareholder resolutions hit a new low in 2023, falling from its peak in 2021.

In Shareaction's report *Voting Matters 2023*, the organisation stated that In 2023, only 3% of the 257 environmental and social shareholder resolutions it assessed received majority support; the threshold needed for a resolution to be approved. This is a notable decrease from the previous two years, with 14% of resolutions passing in 2022 and 21% in 2021. The report had analysed the voting of 69 of the world's largest asset managers.

"This downward trend in support for resolutions has been driven by large US asset managers, who voted for – on average – just 25% of resolutions in 2023. However, European asset managers voted on average in favour of 88% of shareholder proposals in 2023, maintaining an upward trend since 2021. Asset managers from every European country followed this upward trend, with the exception of the UK, where asset managers' average support for resolutions has hovered at around 64%."

According to ShareAction's research, LGIM supported 89% of shareholder resolutions on environmental issues and 92% on social issues, coming 17th in ShareAction's list, while Newton supported 52% of environmental resolutions and 49% on social issues and were placed 48th on the list.

LGIM

LGIM were asked to disclose:

- how many management-proposed resolutions they had voted against during the reporting period in relation to the company being in breach of this expectation and to specify which ones.
- at how many (and which) AGMs LGIM voted against the chair of the board due to insufficient action being taken regarding climate change.
- details of when LGIM abstained, voted against or did not vote on climate-related shareholder resolutions and which companies these concerned.

LGIM indicated that they had identified 299 companies for AGM voting sanctions; the proportion of companies not meeting the fund manager's threshold minimum standards was higher than previous years as a result of LGIM's expansion in 2022. LGIM confirmed that they would vote against the chair of their board where possible. They had written to those companies to inform them of their approach and expectations and would continue to engage with them. In their Climate Impact Pledge Report 2023 LGIM indicated that 43 companies were eligible for vote sanctions against the chair where possible, compared with 21 in 2022.

LGIM has set out sector-specific expectations in their Climate Impact Pledge Sector Guides.

Insurance, banks, property, and oil & gas were sectors that failed to meet LGIM's minimum standards. The proportion of companies with ambitious targets was also lower for these sectors. LGIM indicated that newly included sectors such as aluminium, glass and forestry lead the way in the scale of their ambition and meeting LGIM's minimum standards.

The trustee welcomed Newton's voting policy on chair and director appointments and reappointments which states that they "may oppose the re-election of the board chair, relevant director(s) or committee if we do not consider that climate risk is sufficiently being taken into account for those companies where that risk is material to the company’s long-term economic prospects," and that they "may oppose remuneration proposals where the application of the transition plan is not in line with the stated strategy, notably concerning targets that are inconsistent with the strategy, where climate risk is material to the company’s long-term economic prospects."

Newton were asked to disclose how many times and at which company AGMs over the period they had opposed the re-election of any directors or committees, and/or opposed remuneration proposals, on the grounds of their failures with regard to your abovementioned policies.
Newton did not supply this information.

The Trustee pointed out that Shareaction had placed Newton 48th out of 69 fund managers in their report which indicated that Newton had voted for only 52% of environmental resolutions and 49% of resolutions on social issues, which the Trustee believed was not a very impressive track record.
The Trustee asked Newton to explain why they had apparently voted against roughly half of all shareholder resolutions on environmental and social issues.
Newton declined to respond to this question.

2.4. Freedom of association and recognition of trade unions
The trustees' voting policy sets out a vote against the re-election of the chair of the main board if there is a failure to abide by the UN Global Compact standards on freedom of association, including the recognition of independent trade unions for the purpose of collective agreement. Principle 3 of the UN Global Compact is the clearest of all the Global Compact Principles.
The trustee was pleased to note the change in LGIM's voting policy in relation to the denial of trade union rights in contravention of Principle 3. Previously LGIM had stated that it would merely support shareholder resolutions as they arise but in their 2023 voting policy LGIM is now committed to voting "against the chair or other directors of any company that is on the UNGC violator list for three consecutive years."

In LGIM's human rights policy document dated December 2023 the fund manager states that it "votes against the re-election of the chair or other directors of any company that is on our Future World Protection UNGC violator list for three consecutive years. Following the roll-out of further, deeper engagements on human rights in 2024, we will aim to implement a new voting policy from 2025. Application of this policy will be based on third-party data and voting will be escalated in subsequent years."
We are very pleased to see this progress.

However, the trustee has major concerns about the LGIM Future World Protection Violator List. Having examined the list of November 2023 some notorious violators of UNGC Principle 3 were not included, such as Amazon which has spent years trying to prevent unionisation in their company. They reportedly spent more than US$14.2-million on union avoidance consultants in 2022, and three years ago their "aggressive anti-union drive" was being widely reported[2].
Starbucks and Walmart are other companies that in the trustees' view fulfil the criteria to be on LGIM's Future World Protection List but are not there.

Walmart has such a poor record that in August 2023 the UN Special Rapporteur on Extreme Poverty and Human Rights wrote to Walmart asking for information on allegations that Walmart US "pays wages that do

[2] https://www.theguardian.com/technology/2021/feb/03/amazon-intensifies-severe-effort-discourage-first-warehouse-union

not allow its workers and their families an adequate standard of living, and actively prevents workers from exercising their right to unionize".
The trustee asked why these long-term violators of the UNGC are not on LGIM's Future World Protection List and why LGIM is not voting against directors of these companies in relation to this.
As the sponsor of the pension scheme is a major trade union both the sponsor and the scheme members have a strong interest in our fund managers proactively upholding principle 3. In addition to Amazon, Starbucks and Walmart the trustees drew LGIM's attention to Alphabet, Google, Meta and Tesla.
The trustee was pleased that LGIM supported shareholder resolutions on trade union/human rights at Walmart, Starbucks and Amazon and asked LGIM to indicate what further action it had undertaken with the above companies over the year and what further action it intended to take to progress this issue.

LGIM responded by pointing out that the data provider which produced the Future World Protection list did not identify those companies as being in breach of the UNGC. The trustee had already pointed this out to LGIM and had asked why the companies were not on the list. LGIM did not respond to this other than as above.

LGIM indicated that it would welcome further discussions on companies over a follow up meeting, an invitation that the Trustee will take up.

The Trustee was concerned that the only reference to trade union freedom of association in Newton's voting guidelines was in relation to shareholder resolutions and pointed out that this means that if no shareholders propose any resolution on this mattter it means that Newton would not cast any vote in relation to a company's anti-union activities.

The Trustee had studied Newton's engagement and voting reports with regard to the above companies and applauded the fund manager's support for the shareholder proposal at the Amazon and Starbucks AGMs asking to commission a third-party assessment on commitment to freedom of association and collective bargaining.

There was no such shareholder proposal at Meta or Walmart so the Trustee could see no voting in relation to their anti-union activities.

Newton was asked to explain what engagement they had carried out with these companies in relation to trade union recognition, whether they had voted against any company resolutions (such as election of directors) in relation to this issue, and also what further action they intended to take to progress this issue.

Newton declined to answer this question.

2.5 Equality:

2.5.1 Ethnic minority representation on company boards and senior management
The Parker Review (which encourages and reports on the ethnic diversity of UK boards) has reported that investor pressure on companies has led to 96% of FTSE 100 companies with at least one ethnic minority board member. The trustee congratulated LGIM on its vote against the election of Richard Huntingford as a director at Unite Group plc on grounds that, after a two-year engagement campaign, the company had failed to make progress in this regard.

The Parker review states that around 60% of FTSE 250 companies had achieved at least one ethnic minority board director - which means that around 100 companies have yet to do so.

In earlier correspondence, LGIM had provided welcome confirmation that the fund manager would be broadening the scope of its campaign to include companies in the FTSE250 and the Russell1000 indices. The trustee asked how this was progressing.
LGIM indicated that its engagement campaign with these smaller companies had been completed at the end of 2023 after two years of engagement, and LGIM continues to engage with UK companies on this topic through the 30% Club Investor Group.

LGIM stated that as at 31 August 2023 in relation to the FTSE 250,
• A total of 64 companies were involved at the start of engagement campaign
• 36 companies were consistent laggards – 56.3% of total
• 19 companies had improved and were no longer laggards, which represented 29.7% of total
• 14 new companies came onto the list in 2023 and remained on the list in 2024; and
• Nine companies dropped out of the campaign due to changing index or de-listing, which represented 14.1%.

The Trustee also pointed out that the Parker Review update in March 2023 set new targets, this time for senior management positions, defined as the executive committee and the senior managers who report directly to executive committee members. The Review states: "Given the wide variation in the share of ethnic minorities in the population in different regions of the UK, the Parker Review recognises that there can be no "one size fits all" target percentage for ethnic minority executives in senior management." So the Parker Review are asking each FTSE 350 company to set its own target for its business for December 2027, for the percentage of its senior management team who identify as being from an ethnic minority.
The trustee asked whether LGIM was planning to engage with companies in relation to these targets, and if so whether it had begun to do so.

LGIM indicated that their work had so far focused on board level ethnic minority representation on which there continue to be laggards, and while they were aligning their work with the Parker Review, they had not specifically engaged on this level of senior employees.

The Trustee was pleased to see that Newton's 2023 voting policy now states: "In markets where access to this information can be expected (currently the US and UK only), we generally expect at least one board seat to be held by an ethnically or racially diverse director. We may consider opposing the re-election of the nomination committee chair if we consider the board to lack sufficient ethnic diversity."

The Trustee had looked at Newton's voting record at the AGMs of a sample of the straggler companies in the FTSE 250 and could not find any voting against these companies in relation to all-white boards, and asked Newton what engagement they had had with any of the FTSE 250 companies that had so far failed to meet the Parker Review target of one ethnic minority board director.

Newton declined to answer this question.

The Trustee asked whether Newton intended to engage with companies in relation to the new Parker Review targets on senior management, and if so whether they had begun to do so.
Newton declined to answer this question.

2.5.2 Equality monitoring
The trustee was pleased that LGIM now agree that companies should be required to publish equality monitoring data for its workforce on gender and race. Their UK corporate governance and responsible investment policy states that LGIM expects all companies to disclose a breakdown of board directors, executive directors, managers and employees at a minimum by geography, main skill set, gender and ethnicity.

The trustee's voting policy is that "if a company has not committed itself to publish within the next 12 months equality monitoring data for its workforce covering at minimum gender, race and disability, and including management and board, vote against the re-election of the chair of the committee responsible for corporate social responsibility or, in the absence of such committee, vote against the chair of the board. Year two: if the company has not begun annual publication of such data, vote as above."

The trustee asked whether LGIM had voted against any companies for failures to publish equality monitoring data and whether LGIM had voted in this way in relation to any company resolutions as opposed to shareholder resolutions. LGIM responded that their policy does not include companies facing any sanction for failing to publish equality monitoring data. The trustee assumes this means there was no voting in relation to this.

The Trustee had corresponded with Newton regarding the need for companies to carry out equality monitoring of their workforces, pointing out that it is recognised best practice in the UK for companies to collect this information and publish it, eg the recommendations of the McGregor-Smith Review[3] and of course the Parker Review, plus the fact that the Equality and Human Rights Commission sets this out as best practice[4], while in the US there is the requirement to file the EEO-1 report and a growing campaign for companies to release that data.

Newton had previously stated that if a company meets neither the board gender diversity criteria nor the disclosure requirements they would vote against the chair of the nomination committee and engage with the company. If a company fails one of the criteria, Newton would engage to explain their policy and vote against the chair of the nomination committee in future years if they see insufficient progress.

Newton was asked to disclose how whether Newton has voted against a company for lack of disclosure of equality monitoring data and if so, which companies.
Newton declined to provide any information.

2.6 Excessive executive pay
One of only two issues where the LGIM voting policy significantly differs from the Red Line voting policy is that of excessive executive pay as expressed via pay ratios. While LGIM (and the Red Lines) are concerned with a range of remuneration issues, our board believes that LGIM does not place sufficient weight on the damaging impact of executive pay that is simply far too high in relation to the company's workforce.
According to the High Pay Centre, over the period 45 companies in the FTSE 350 paid their CEOs more than 100 times the median wage paid to their workforce. Of these, 35 were in the FTSE 100.
It would appear that LGIM supported the remuneration report at the AGMs of nearly all of them:
Ashtead, Associated British Foods, AstraZeneca, Aviva, B&M European Value Retail,
BAE systems, Barclays, Berkeley Group, BAT, BUNZL, Burberry, Compass Group,
Diageo, Flutter, Halma, Imperial Brands, Intercontinental Hotels, Marks & Spencer, National Grid, Next, Relx, Rentokil, Sainsbury, Smith & Nephew, DS Smith, Smurfit Kappa, Tesco, Whitbread and WPP.
LGIM voted against the remuneration reports at BP, Diploma, GSK, JD Sports and Pearson. LGIM voted against the remuneration policy at Burberry, Diploma, Next, Pearson and WPP.

The Trustee believes that excessive executive pay is an area where the highly paid financial services industry is out of touch with the British workforce who are the beneficiaries whose pension savings the fund managers are investing. At a time when the Office for National Statistics has stated that about 40% of energy bill payers are struggling to afford payments, to wave through such excessive executive pay deals as these the Trustee feels is irresponsible. The UK Corporate Governance Code makes clear that the remuneration committee “should be sensitive to pay and employment conditions elsewhere in the group especially when determining annual salary increases.”

It is not in the shareholders’ interests for companies to ignore this matter as doing so may cause any of the following: internal resentment, falls in productivity, industrial unrest, reputational damage, fall in output and fall in shareholder value. If the average wage in a company is approximately the national UK median annual earnings for full-time employees of almost £35,000 per year, a director earning 100 times this would be paid £3.5-million.

The trustee noted the public outrage at the pay award at Centrica, owner of British Gas, whose astronomical price increases brought misery to millions but a pay bonanza to the CEO which, while not coming in at over 100 times the median pay of the workforce, was so generous that even the CEO himself stated could not be

[3]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachmentdata/file/594336/race-in-workplace-mcgregor-smith-review.pdf

[4]https://www.equalityhumanrights.com/sites/default/files/good_equality_practice_for_employers_equality_policies_equality_training_and_monitoring.pdf

justified[5] - yet LGIM supported the remuneration report at the last AGM. Some other fund managers opposed it.

LGIM has previously stated that while pay ratios are an important factor to consider, on their own they are something of a blunt instrument because a number of factors can cause the ratio to fluctuate from year to year. Therefore, pay ratios are only one of a number of aspects of executive pay that LGIM takes into account when considering a vote decision.

Nevertheless, in this time of great hardship for the UK workforce other fund managers are taking a different and tougher view of excessive executive pay. Other asset managers believe that excessive overall reward can have a very damaging effect on a company and they expect remuneration committees to take into account factors arising from the cost of living crisis when deliberating over executive pay outcomes. The trustee compared LGIM's voting record with those of other asset managers and there are several votes where LGIM had supported the remuneration report and/or policy while other fund managers have voted against. This undermines our voting policy as the fund managers' votes were effectively cancelling each other out.

The trustee asked LGIM to justify its decision to support the remuneration reports and policies at companies paying their CEOs more than 100 times the median paid to their workforce, and at Centrica.
LGIM responded that as a long-term engaged investor, it wanted to support companies' boards to be able to recruit, retain and incentivise the appropriate talent to sustainably grow the business and encourage innovation without undue risk-taking.

LGIM has not set a strict policy threshold or maximum pay expectation in terms of absolute quantum; instead it applies a combination of principle-based and structural expectations to assess companies' executive remuneration and their alignment to long-term sustainable performance and stakeholder experience.
LGIM stated that it expects boards to consider whether their company's pay ratio is appropriate within the industry in which it operates. Consideration should also be given as to whether the 'year-on-year' changes in the ratio are appropriate in light of corporate performance.
However, the fund manager does not apply policy-based voting sanctions based on pay ratios, as these often do not adequately take into consideration the differences in market norms due to industry and sector, organisational and ownership structures, products and services offered and performance and alignment with the experience of shareholders and other stakeholders.

LGIM said that it believed that voting on pay ratios above a certain level may also disproportionately sanction companies that employ large numbers of lower-skilled workers. In addition to employment opportunities, these companies are often also offering an essential service or products to communities, therefore requiring investment and suitable management to be encouraged into these sectors.

Nevertheless, LGIM's voting policy for the US market now states: "From 2024, we will vote against the say on pay resolution of any S&P 500 company whose CEO to median employee pay ratio is greater than 300 and the company's total shareholder return relative to the S&P 500 has underperformed when measured over a three-year period." LGIM highlighted this in response to the Trustee's questions on the Living Wage (below): LGIM had introduced this new policy in relation to addressing pay inequality. Its North America voting policy states: "LGIM's principles on executive compensation is based on pay for performance, however, we view pay inequality as a potential source of risk to our portfolios." So LGIM has adopted a voting guideline on pay ratios for the US market but not the UK market.

The Trustee had studied Newton's voting on remuneration report and/or remuneration policy of companies paying their CEOs more than 100 times the median in their companies, and it appeared that Newton voted against the remuneration report at National Grid and BP. The Trustee asked Newton to explain their support for the remuneration reports and policies at other companies in the list.
Newton declined to respond.

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[5] https://www.theguardian.com/business/2024/jan/19/boss-of-british-gas-owner-says-it-is-impossible-to-justify-his-pay-chris-o-shea#:~:text=O'Shea%2C%20who%20has%20been,after%20Russia's%20invasion%20of%20Ukraine.

2.7 Living wage
The trustee's voting policy, in furtherance of Principle 6 of the UN Global Compact, proposes a vote against the board's remuneration proposals if any members of staff, including subcontracted staff in the UK, are paid below the Living Wage or where applicable the London Living Wage (as set by the Living Wage Foundation); or do not have employment contracts specifying the number of working hours per week or (aside from overtime with increased pay) allow more than a 25% increase or decrease on that figure to meet business needs.

LGIM
The trustee was pleased at the improvement in LGIM's commitment on the Living Wage that it now asks all companies in which LGIM invests to ensure they are paying a Living Wage or the real Living Wage for UK-based employees and that it also asks them to ensure that their Tier 1 suppliers are paying the Living Wage.
The Living Wage Foundation states that "half" the FTSE 100 companies pay the real Living Wage.

Significant votes:
The trustee asked what action LGIM had taken at the companies that do not pay the real Living Wage; and to report on whether LGIM had voted at any other AGM against a company resolution on the issue of the Living Wage during the period.

The fund manager pointed out that although 50% of the FTSE 100 are not Living Wage accredited, that did not necessarily mean they were not paying the real living wage. However LGIM added that until companies publicly disclose minimum pay data and data providers capture it, it is hard to target companies on not paying a Living Wage on a broad scale.

Instead, LGIM tries to tackle income inequality through different avenues. For example, in 2023, it expanded corporate engagement on paying the Living Wage and income inequality, launching a targeted engagement campaign on this with specific vote sanctions against the re-election of top directors at companies that fail to meet LGIM's minimum expectations by the time of their 2025 AGM. LGIM is targeting the food retail sector, as it believes these companies to be generally more resilient due to the community service they provide, financially less impacted by the COVID-19 pandemic than other sectors, and with a high proportion of their workforce earning low wages. The fund manager identified 15 global supermarket retailers in developed economies and begun engagement with these companies in late 2023.

LGIM stated that pay ratios are also expected to be higher where executives receive substantial variable pay opportunity in years of good performance, but it could only reasonably be applied where a company could demonstrate strong outperformance. So it was to address income inequality in the US, a market where executive pay is often outpacing UK levels substantially, that LGIM stated that it had introduced a voting policy that seeks to expose any performance-pay misalignment and from 2024 would vote against the say on pay proposals at S&P 500 companies whose total shareholder return has underperformed the S&P 500 over the previous three years and their CEO pay ratio exceeds 300.

Newton
The Trustee asked Newton what action they had taken at the companies that do not pay the real Living Wage, and whether it could report on whether they have voted at any AGM against a company resolution on the issue of the Living Wage during the period.
Newton declined to respond.

2.8. Directors' pension provision
The trustee's policy is to vote against the remuneration report or policy if the pension contributions for any director are not limited to the director’s basic salary and are out of alignment with that of the company’s workforce.
LGIM's very similar policy, as set out in its remuneration principles, is that "LGIM expects companies to ensure that the pension provisions for a new board director, and for others for whom contracts are being re-negotiated, are aligned with what is being offered to a majority of the workforce. In addition, and in line with market practice in this area, LGIM expects incumbent directors’ pension provisions to be aligned with what is

offered to a majority of the workforce by 2023. LGIM will vote against the remuneration policy where there have been no changes proposed to address a disparity in pension provisions."
LGIM was asked to provide details of what engagement it had had with companies on this issue and how it had voted on this issue over the period.

LGIM responded that it has an established policy on executive pension alignment and expects directors' pension provisions to be aligned with what is offered to a majority of the workforce in which they operate. As such, LGIM will vote against the remuneration policy where there have been no changes proposed to address a disparity in pension provision.

The fund manager added that there are very few companies in the UK that still have enhanced pension provisions for their existing directors, let alone new directors coming in.
In 2023, LGIM voted against the adoption of the remuneration policy at three UK companies due to continuing pension differentials between incumbent directors and the wider workforce (Next plc; Clarkson plc; A.G. Barr plc). They spoke with both Next and Clarkson on pay issues this year.
Separately, LGIM also pre-declared a dissent vote at the 2023 AGM of Pearson plc. As part of the debate around the competitiveness of UK pay versus what might be received for similar roles in the US, they consider each proposal on a case-by-case basis. However, LGIM were keen to ensure that company executives do not pick and choose those pay elements from each market that benefit them the most without a good strategic rationale.

Pearson's proposals centred around the fact that their CEO is based in the US and should therefore be compensated in line with US peers, so they proposed to increase the annual bonus opportunity from 200% to 300% of salary, and his LTIP award from 350% to 450% of salary. His salary stood at US$1,250,000 and he was expected to receive a 3.5% increase, in line with workforce raises in the UK and US.
LGIM's main concern was that, although the company's stated intention was to align the CEO's pay package more closely with US peers, they elected to use UK practices when it came to his pension. This would result in a pension provision of 16% of salary, which is more than a US executive could expect to receive. At the AGM in April 2023, LGIM decided to vote against the policy resolution and escalated its concern by voting against the re-election of the remuneration committee chair. LGIM also pre-declared this vote, ahead of the AGM.
The remuneration policy vote received 46.4% of votes against, almost failing the 50% approval threshold, and was one of the highest levels of pay dissent in the UK last year.

3. Summary of votes cast

Question	**LGIM: Global Equity Fixed Weights (50-50) Index Fund** ***Data was supplied for the year to 31.12.23***	**Newton Real Return Fund**
What was the total size of the fund as at 31.10.2023?	£3,408,456,633	£2767.81m
What was the number of equity holdings in the fund as at 31.10.2023?	3062	66
Total size of Scheme assets invested in the fund/mandate as at the end of the Reporting Period (if known)?	Not supplied	£3,050,574
How many meetings were you eligible to vote at over the year to 31.10.2023?	3052	70
How many resolutions were you eligible to vote on over the year to 30/06/2022?	39790	1129
What % of resolutions did you vote on for which you were eligible?	99.86%	99.3%

Of the resolutions on which you voted, what % did you vote with management?	81.54%	92.1%
Of the resolutions on which you voted, what % did you vote against management?	18.35%	7.9%
Of the resolutions on which you voted, what % did you abstain from?	0.11%	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	70.9%	46%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.	Newton utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research. Its voting recommendations of are not routinely followed; it is only in the event that we recognise a potential material conflict of interest as described above that the recommendation of our external voting service provider will be applied. We do not maintain a voting policy with ISS. We apply our own Newton voting guidelines
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	13.32%	4.8%

4. Engagement: fixed income
BECTU Staff Retirement Scheme invests in the following fixed income funds:
LGIM: High Yield Bond Fund
LGIM: Investment Grade Corporate Bond – All Stocks
Royal London Asset Management: Multi-Asset Credit Fund

The corporate trustee directors utilised the UN Principles of Responsible Investment guidance in requesting stewardship information from the fund managers with respect to the fixed income funds.

4.1. LGIM High Yield Bond Fund
For the second year, the trustee raised questions with regard to the High Yield Bond Fund's top issuer which was still Petroleos Mexicanos at 2%.
The key concern of pension schemes is risk and the trustee was concerned about the risk factors associated with this company. In Pemex's new business plan for 2023-27, its aims include:
Promote Pemex's adaptation to the challenges of climate change:
• Develop climate risk analyses in priority oil installations to identify and implement strategies for adaptation to climate change.
• Promote awareness-raising activities addressing adaptation to climate change within the company.
• Promote the conservation of Pemex's Voluntarily Dedicated Conservation Areas

But this does not appear to be fulfilled by the plan itself (English language version). Rather than not construct coking plants, it states that the new plants would "reduce fuel oil production and generate more efficient fuels such as gasoline and diesel."
It also states that its 'upstream' focus "remains on the areas with the greatest productive and economic potential and taking advantage of the experience and skills of their technical staff. The strategy prioritises exploration in onshore areas and shallow waters, while continuing to the accelerated development of new fields and optimising exploitation. The execution of these strategies would allow Pemex to incorporate and recategorize reserves, mitigate the decline and maximise the recovery of hydrocarbons.

"To support the longterm vision, the strategy focuses on exploratory opportunities, evaluating oil potential to incorporate prospective resources and strengthen the exploration portfolio."
The trustee also noted that Sustainalytics gives Pemex a sustainabiity rating of "61.9 - severe", and that Pemex features on LGIM's Future World Protection List for breaches of the UN Global Compact.
The trustees asked LGIM for its view of Pemex's business plan and its risk.

LGIM responded that it understood the Trustee's concerns and noted that PEMEX is the biggest issuer in its comparative benchmark at 2% (ICE BAML Global BB&B, non-financial issuer constrained index) and that LGIM was broadly in line with benchmark weight

.
LGIM responded that as PEMEX is owned and controlled financially by the government of Mexico there was very low risk of default. Underinvestment was attributed to the company's excessive tax burden.

Given the importance of the entity to the state this underpinned LGIM's constructive view on PEMEX bonds considering the significant spread pickup vs Mexico's sovereign paper, however it was critical of some actions towards the company under President Andrés Manuel López Obrador including his pushing the ill-advised construction of the Olmeca/Dos Bocas refinery, which is late and massively over budget, while PEMEX's existing refineries remain loss-making, continue to suffer from poor utilization rates and are plagued by frequent operational and employee safety incidents. While the government ended up indirectly funding construction of the refinery, that capital could have been put to better use elsewhere in the business.

LGIM noted that PEMEX had become increasingly amenable to bondholder engagements with respect to its ESG challenges. The sheer volume of bonds outstanding and significant refinancing needs have made PEMEX highly reliant on international debt markets, but ESG-related restrictions/limitations have resulted in a shrinking investor base for PEMEX debt. As a result, LGIM felt that the company and bond investors are very well-aligned in the goal of improving the company's ESG profile. The company was due to present its updated sustainability plan through 2030 to the board, which press reports had suggested would include methane emission reduction targets and set capital budgets for various ESG initiatives. The company recently set up a sustainability committee and has been working with the UN Global Compact on re-accession. While these are certainly small initial steps, LGIM was encouraged that the company appeared to be taking bondholder concerns seriously.
With no public equity holders and no meaningful push from the government, bondholder engagement is the primary driver for PEMEX to improve its ESG profile. With regard to the low score on Sustainalytics LGIM felt that this was partly driven by poor provision of data on which LGIM and other bond holders had engaged with them and they believed they had taken this on board; more transparency will be expected from them in the future.

LGIM believed therefore that PEMEX was attractively priced and hence held the small overweight in the portfolio (as of end January 2024), which was within the parameters of the of the guidelines for the portfolio. However, the trustee notes that Climate Action 100's assessment of Pemex[6] was that of its 11-point disclosure framework, Pemex was assessed as not meeting any criteria on nine of the points, partially met some criteria on one point and had not been assessed on the 11th point. The Disclosure Framework evaluates the adequacy of corporate disclosure in relation to key actions companies can take to align their businesses with the Climate Action 100+ and Paris Agreement goals. The assessments are conducted by the Transition Pathway Initiative Global Climate Transition Centre and reflect publicly disclosed information by companies as of 29 May 2023.

4.2 Royal London Asset Management Multi-Asset Credit Fund

The Trustee had asked RLAM a series of questions in the previous year and requested updates on them.
In particular, the trustee had previously asked RLAM to disclose whether it had a benchmark on progress to meet the need to limit global warming to well below 2 degrees against which to measure these metrics, and if so to indicate how the fund's metrics compare.

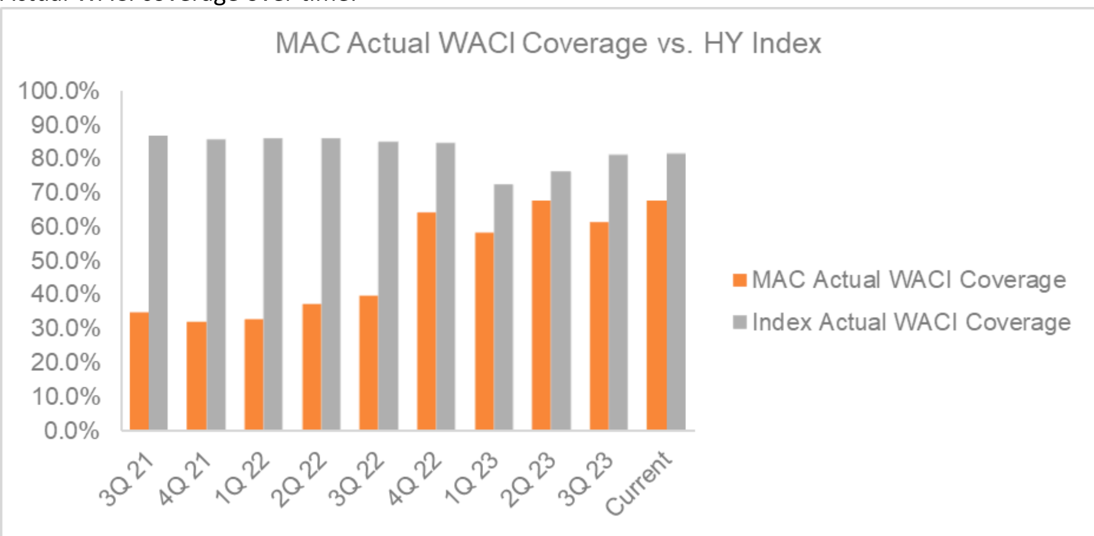
[6] https://www.climateaction100.org/company/petroleos-mexicanos-pemex/

In 2021 RLAM had responded: “Due to the nature of the Fund's investments, climate data availability and the quality at an issuer level is below many other asset classes. As a result, whilst we have climate risk metrics available for the fund, the amount of reliance we are able to place on them in terms of quantitative measurement of climate risk performance and driving a net zero strategy is limited. With this in mind, the focus in the short-medium term is more on increasing data quality and coverage and using qualitative research and engagement to drive positive climate activity within the fund.”

In 2022 when the trustee asked about progress RLAM had responded: "During 2022 RLAM engaged with all issuers across all global credit strategies specifically in relation to climate disclosures. RLAM is not a lone voice in requesting this information, and many of the companies we lend to are being asked for this type of data from the investment community at large." RLAM reported that the percentage of the portfolio with carbon data disclosures had improved from about 30% at the beginning of Q1 to about 60% at the end of Q1 2023 and also stated that you continued to value engagement over exclusions.

The trustee asked what progress RLAM had made in increasing data quality and coverage since Q1 2023. RLAM responded: "Our issuer engagement programme has continued throughout 2023. We are actively requesting those issuers with low scores or those issuers which have not provided what we deem to be sufficient climate and other ESG data to improve their reporting. In addition to our internal credit rating which incorporates individually scored ESG&C factors for each credit we hold in the portfolio, we also monitor emissions reporting and how this compares across sectors and vs the broader high yield market.
"The Royal London Multi-Asset Credit Fund allocates across various types of sub credit asset class. The quality of data disclosure and coverage by third party vendors differs significantly. For example, the fund has exposure to leveraged loans due to the overall attractiveness from a risk/ return perspective. However, coverage is lower for the asset class when compared to the high yield market as a whole. Given that the Fund’s asset allocation changes on a dynamic basis, aggregate portfolio data coverage and climate statistics can change in a short space of time as the Fund’s asset mix is adjusted based on market conditions. For example, recently we have had greater exposure to investment grade credit, which generally have better data disclosure, and therefore the Fund’s aggregate coverage statistics have improved.
"The data in the following tables shows the progress made in terms of Weighted Average Carbon Intensity (WACI) profile for the Fund vs its reference index.

Actual WACI coverage over time:

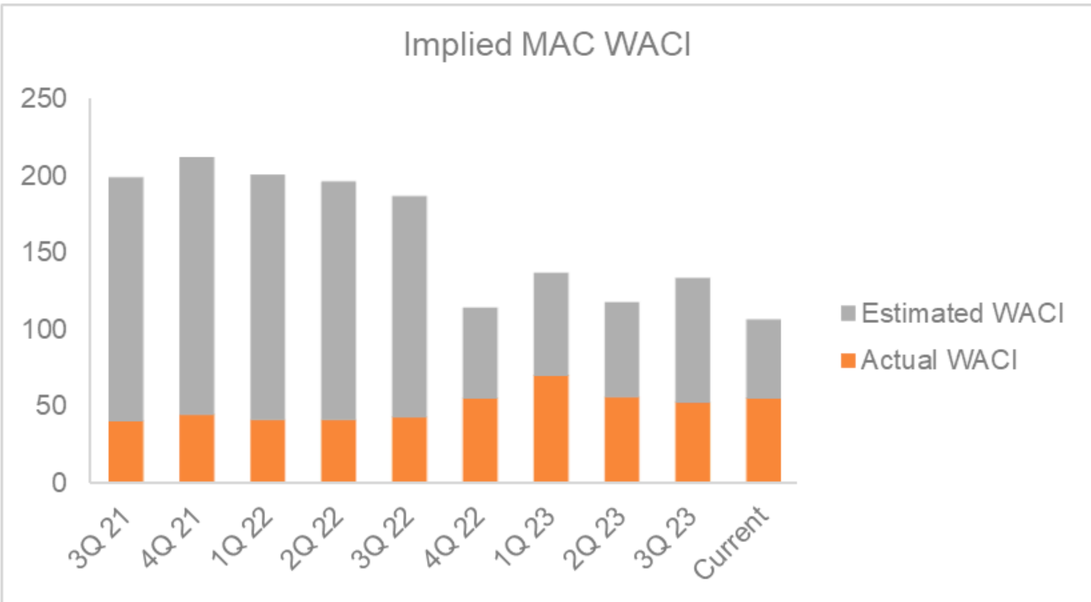


"Where emissions data is unavailable, we engage with the company to stress the importance of providing this data, and also estimate the WACI for those companies without data using sector WACIs (using the average WACI for a given sector as a best estimate). This enables us to derive an implied WACI for the fund to help us better assess emissions:

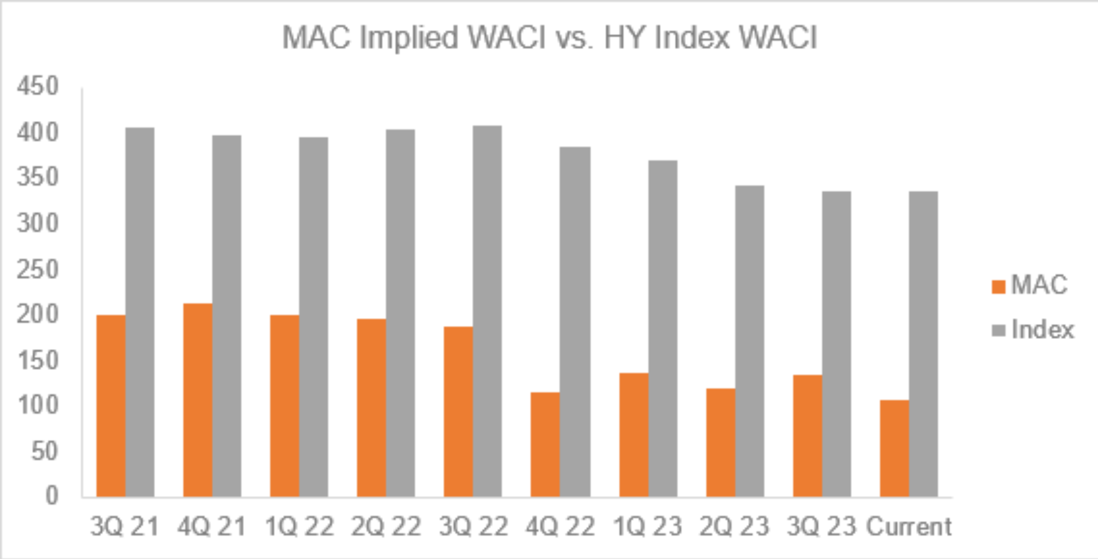
Current implied WACI

	Ex cash	
		Implied WACI
Mac Actual Coverage %	67.2%	
MAC WACI of Covered Portfolio (%)	83	56
Uncovered Porfolio (%)	27.0%	
WACI estimate for uncovered Portfolio	189	51
Total WACI		107

The fund's Implied WACI has continued to improve through improved reporting and also lower exposure to higher emissions sectors vs the market.
Implied WACI trend over time



Implied WACI vs. HY Index WACI



The trustee asked whether RLAM continued to value engagement over exclusions. RLAM responded that they do, "believing that through responsible stewardship of clients' capital we are better placed to influence Environmental, Social, Governance, and Climate (ESGC) outcomes as opposed to simply disinvesting. However, the fund does combine both engagement and exclusions, where deemed appropriate e.g. thermal coal.

RLAM's investment process looks at each credit instrument in detail and applies factors to score each credit instrument across E, S, G and C metrics based on a 1 – 10 rating scale.
Governance is assumed to be material to credit worthiness. Anything below a baseline governance level is automatically excluded. Low G scoring credit instruments above the baseline threshold will be engaged with. Low E, S and C scores will lead to a secondary assessment analysing the impact on credit worthiness, determined on a case-by-case basis.
Where there is no material impact on the credit worthiness, then a low score will lead to an engagement process with the relevant issuer where there is the potential for the issuer to improve its policies. RLAM evaluates whether there is such scope to engage by researching and assessing different sources of data, where available. Engagement with the credit issuer is periodic, including periodic re-evaluations of the business and its policies along with mitigation steps taken by the issuer over time, to assess improvement in the scores over a two-year period. If there is no 'significant improvement' of the score then the position sizing will be re-evaluated, with potential for full disinvestment.

Do you have a dedicated fixed-income stewardship programme?
RLAM stated: "Our Stewardship and Engagement objectives are set at a firm level. This enables us to coordinate engagement and leverage our scale to best influence the outcomes we wish to see. These are then pursued in an asset class specific manner, recognising the nuances of credit investing vs equity investing.

Do you incorporate ESG issues into your assessment of issuers when evaluating whether to invest?
RLAM stated that the consideration of Environment, Social, Governance, and Climate factors is fully integrated into the investment decision making process and with the aim of seeking positive externalities through active engagement.
"We have a proprietary ESGC framework, which entails a combination of exclusions, best in class E, S, G and C integration, and an active engagement policy." Their policy includes
• Formal exclusion of credits with governance ratings below RLAM's baseline score; "our process assumes governance is always material to the credit worthiness of a company. "
• Where the ES&C analysis identifies issues that materially impact creditworthiness, names will be excluded.
• Where an issuer is low-scoring (E, S, G or C) but not materially impacting creditworthiness, then that issuer will be subject to an active engagement plan. If no improvement is seen after two years, then the issuer will be sold.

• RLAM believes that this approach of supporting those companies that are part of the transition to a more sustainable economy is more impactful than outright exclusion and will report on their engagement plan, milestones and progress.

RLAM's approach recognises that a large part of their investment universe is privately owned. "Private companies tend to have much lower disclosures than public companies. The process we have designed in collaboration with the Responsible Investment team aims to both improve the flow of information as well as the behaviour of the companies we invest in."

You have stated that you engage with issuers pre-issuance and post-issuance. Please let us know your priorities over the period and examples of this.
RLAM predominantly engages on ESG issues post issuance "where we seek to engage with companies to improve performance or disclosures. However, we do engage with companies, pre-issuance if there are significant ESG issues we feel warrant discussion. The engagement we undertake with our investee companies on strategic, environmental, social and governance risk management issues forms a core component of our stewardship responsibilities. It is an activity that many of our clients have come to expect from us as an asset manager with a long-term focus."

"ESGC considerations directly impact our investment sizing within the strategy, it is in the interest of companies to improve their ESGC profile to enable Royal London Asset Management to increase investment. Ultimately, our goal is to have a positive influence on corporate behaviour and assist companies with improving their practices, governance, and oversight, helping them to manage their impact on society and the environment.

"As many high yield and loan issuers have lagged the wider market when it comes to delivering clear ESG reporting and setting meaningful goals, our focus continues to be on engagement. If however those companies with low scores fail to make progress, the fund will actively look to divest those assets. "

RLAM gave Amazon.com Inc as an example of engagement:
In Q1 2023, RLAM met with ESG experts from Amazon to discuss primarily Labour & Human Rights issues. They engaged with the company on the following areas:
• Health and safety: Royal London Asset Management asked about any developments the company has made in terms of staff health and safety. Amazon explained that this is currently a priority, and it had recently published its latest safety report, which covered its improvements in reportable injury rates, a budget towards safety-related initiatives and its robotics used to improve safety of workers (although robotics are not yet widespread across all fulfilment centres).

• Employee pay: The company confirmed the average starting wage in the US is $19, and that it had just raised the UK minimum wage to £12. They also confirmed that it does not offer zero-hour contracts anymore, which was a concern raised by many shareholders.

• Freedom of association: When challenged on its position, the company reiterated that it stands by its preference for a direct employee relationship, and that its practices are in line with this, ensuring lawful and appropriate communication between managers and employees. It states that the preference for association is in the minority among its employees in the US.

• Layoffs: RLAM wanted further clarity on Amazon’s approach to layoffs, especially given its recent and upcoming wave of cuts. Amazon explained that it has counselling on severance pay and insurance, and provide job counselling, career coaching and CV work as part of the packages and ensure there is clear communication and mental health resources available.

• Workforce engagement: The company is clear that it regularly solicits feedback via connection surveys, which are sent every day, and which must be addressed by management within 24hrs. The surveys generate up to 1 million responses, including any complaints from the employees. When questioned on common areas of negative feedback, Amazon claims there are not many areas of commonality, other than employees asking for a higher minimum hourly rate for example.

• Employee performance measurement: Amazon emphasised "positive coaching" around performance, instead of negatives. For example, if an employee is found to be unloading boxes incorrectly, they would conduct positive coaching for the whole team, rather than target that employee individually. While this was asked in relation to a high-profile Polish court case, the Amazon representatives were unfortunately not familiar with the details. However, Amazon’s Labour expert admitted that they would review each case similar to that case and, if Amazon's policies were to be found not compliant with any market-specific labour laws, they would look into it and review them. The assessment of the bottom 3-5% performers is not driven by a "bad week" scenario, but rather consistently negative results over longer time periods. Any shorter periods of low performance would not be impactful enough to affect performance review.

• Racial bias: A recent controversy around racial bias with customer feedback affecting the bonuses and salary raises of their ethnic minority drivers led RLAM to ask about how this could be addressed. The Amazon representatives were not familiar with the case and said it was too early to answer.

• Shareholder proposals at the upcoming AGM: There were originally supposed to be 23 proposals which has now dropped to 20 (still a very significant number). There may be more proposals and the topics may cover the Paris Agreement alignment, broad push against antiunionization, among other topics.

In the last year have ESG concerns led you to choose to either pass on an investment opportunity, or to sell your holding?

As of February 2024, the Fund became an Article 8 fund in recognition of the fully integrated ESG&C analysis which forms part of the investment process.

RLAM gave the example that in 2023, they did not invest in Univar, which was an attractive chemicals distribution business but unfortunately the company had poor governance. "We also considered opportunities in the airline and chemicals sectors but turned down those investments where the yield/spread on offer relative to the emissions produced were unattractive, or the longer-term emissions profile would not fit the volatility and carbon emissions profile of the fund.

"We also considered the high yield opportunity WeSoda, a soda ash producer. We turned it down as the emerging markets concentration risk and resultant risk of volatility was high. Furthermore, the company is also energy intensive (natural gas and diesel) and despite it focusing on natural soda ash which is more sustainable than synthetic, mining for the key raw material in Turkey remains an environmental concern. As a result, we believed the asset was not a fit for the fund."

We would welcome details of how you have pursued your Net Zero and Just Transition policies over the period through engagement with issuers included in the RLAM Multi-Asset Credit Fund.

At the fund level RLAM said they are actively engaging with issuers who have low E and C scores, with the aim of achieving improved reporting, goal setting and targets. As many high yield and loan issuers have lagged the investment grade market with regards to ESG reporting and goals, RLAM believe that by targeting lower ESG&C scorers we can encourage change through engagement. If low scorers fail to make progress, the fund will actively look to divest those assets. This holds for climate related targets as well.

RLAM is part of the Net Zero Asset Managers initiative (NZAM), and its primary engagement objective is to evaluate and influence companies, which represent at least 70% of Royal London Asset Management’s financed emissions by 2030, to adopt emissions reduction targets and climate transition plans that are reinforced by credible science-based methodologies. "Our Climate Transition Assessment methodology is based on 12 indicators. "Through this approach, we expect to influence real-economy decarbonisation in pursue of Royal London Asset Management’s target."

As an example of engaging with a company on net Zero RLAM referred to Drax Group Plc. They attended a site visit to Drax's power plant to assess the progress of its Bioenergy with Carbon Capture and Storage (BECCS) project.

From an engineering and technological standpoint, the project appeared to be progressing well where Drax has successfully captured carbon on-site, which is a significant milestone. However, there are still significant uncertainties regarding government support for the project. The company is also exploring alternative sources of biomass to use in conjunction with woody biomass. While no decision has been made on this research, a company representative indicated that it is likely that Drax will eventually use alternatives to woody biomass. RLAM will continue to monitor the progress of Drax's BECCS project and its sustainable sourcing of woody biomass.

5. Property
CBRE: Osiris Property Fund

This fund is in wind-down. Their overall approach to ESG and Sustainability for CBRE Investment Management is covered by the Firm's Global Sustainability Policy (https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-globalesg-policy.pdf) and Sustainability Vision (https://mediaassets.cbre.com/ /media/project/cbre/bussectors/cbreim/cbreimsustainability-vision.pdf).
The firm also published a Global Climate Report which is aligned with TCFD recommendation. The report is available at https://mediaassets.cbre.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/2022-

CBRE was asked to outline any sustainability goals CBRE has in relation to the Osiris Property Fund and progress that had been made. CBRE responded that the Osiris fund follows the CBRE Investment Management Sustainability Policy and Sustainability Vision which together cover its approach to sustainability for all strategies and assets under management, as well as its net-zero carbon and other ESG-related targets. Further, as a signatory to the Net Zero Asset Managers initiative ("NZAMi"), CBRE Investment Management has net zero carbon emissions targets. "Where we have direct control of an asset and management discretion of our long-term core strategies, we have committed to implement actions to achieve net zero carbon performance and physical resilience for Scopes 1 and 2 by 2040 or sooner and for Scope 3 by 2050. For all other business strategies, we have committed to deliver net zero carbon performance and physical resilience for Scopes 1, 2 and 3 by 2050. However, since March 2020, the Osiris Fund has been in wind-down. As such the fund has not set any long-term sustainability goals.
CBRE was asked about progress in supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net-zero emissions by 2050 or sooner. CBRE Investment Management "understand that the health of our planet, society and economy are inextricably linked, which is why we take a holistic approach to sustainability. We believe that a focus on climate and people is fundamental to maximizing longterm investment returns. We also believe that our approach is essential to mitigating risk, creating value and helping to preserve our planet for future generations. We strive to drive positive change in the environment and the communities we invest in. We believe our opportunity lies in our position as a global leader in real assets investing, using our scale and expertise to deliver and influence how real estate and infrastructure is built, managed and operated. We seek to deliver sustainable investment solutions that enable our clients, people and communities to thrive."

Highlights of its Climate Report, which aligns with the recommendations of the TCFD, include:
- Global commitment: CBRE IM became a signatory to the Net Zero Asset Managers initiative (NZAMi), an international group of asset managers committed to supporting the goal of net zero greenhouse gas (GHG) emissions "by 2050 or sooner where we are in alignment with client interests."
- Influence: Helped develop a new net zero standard with the International Organization for Standardization (ISO). The new standard was launched in November at the UN COP27 Convention on Climate Change.
- Received ISO 14001 certification for their Environmental Management System
- Process integration: Improved the sustainability data and information that is discussed in their investment committees, as well as enhanced our asset management tools and processes.
- Training and education: CBRE launched several programmes to advance sustainability fluency and accountability across the firm, including their Sustainability Ambassador programme, comprising 120 people across the firm, representing different sectors, strategies and geographies.

The trustee had asked to what extent building construction within the fund was using viable alternatives to concrete and steel which each account for about 5% of global carbon emissions, and CBRE had responded that Osiris is not invested into any development funds and that across the remaining holdings in the portfolio there is limited development. "Underlying managers and their building contractors are ultimately responsible for the management of construction projects. However, through our engagement and advisory board positions, we will encourage managers active in construction projects to make sustainable choices in their procurement activities." The trustee asked whether there were any examples of this.

CBRE responded that whilst the Fund is in wind-down, there was one relevant and timely example of a development that they could cite from the past year.
A joint venture office development was under way in Edinburgh. In June 2023, CBRE IM's approval was sought for the capex of £13.7-million, in relation to the development. The building was last redeveloped in 2000 behind a retained Georgian facade. It comprises of 48,047 sq ft of office space across six floors with 12 car parking spaces and ancillary storage in the basement. It was in a prime location and had been vacated at the end of a lease. Planning consent had been granted in July 2022 for the refurbishment of the whole building to deliver an all-electric building with strong ESG credentials (including targeted BREEAM Excellent and EPC label B). Despite the Georgian facade, post refurbishment the building will meet all modern office requirements, a rare product in the supply-deprived office market of Edinburgh. The plans entailed the following sustainability features:

- New M&E [mechanical and electrical] services will be provided throughout including an active chilled beam solution for the upper floors that will improve the floor to ceiling height.
- The number of car spaces will be reduced to provide space for new wellbeing facilities and cycle storage for circa 60 bikes, gym-style changing rooms with showers, drying rooms and lockers, and there will be electric car charging stations.

Prior to approving the capex proposal, CBRE IM undertook a full review of the proposed development, including the costings, the market position and the sustainability improvements. Our recommendation was to proceed with the works for a sum of £13.7m, lease the building and exit on completion of the leasing programme, likely in September 2025.
The rationale for CBRE's decision included "consideration towards sustainability, specifically that the refurbishment will offer an asset with strong ESG credentials in a prime location delivered into a market with very limited Grade A+ supply and strong occupier demand."
CBRE were asked about how they manage stewardship issues concerning third party service providers. CBRE supplied their supplier code of conduct. The Trustee particularly welcomed the inclusion of a clause on Freedom of association: "Supplier will respect the rights of employees and comply with all Laws concerning freedom of association and collective bargaining".

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

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

The TCFD reports for the fund managers are as follows:

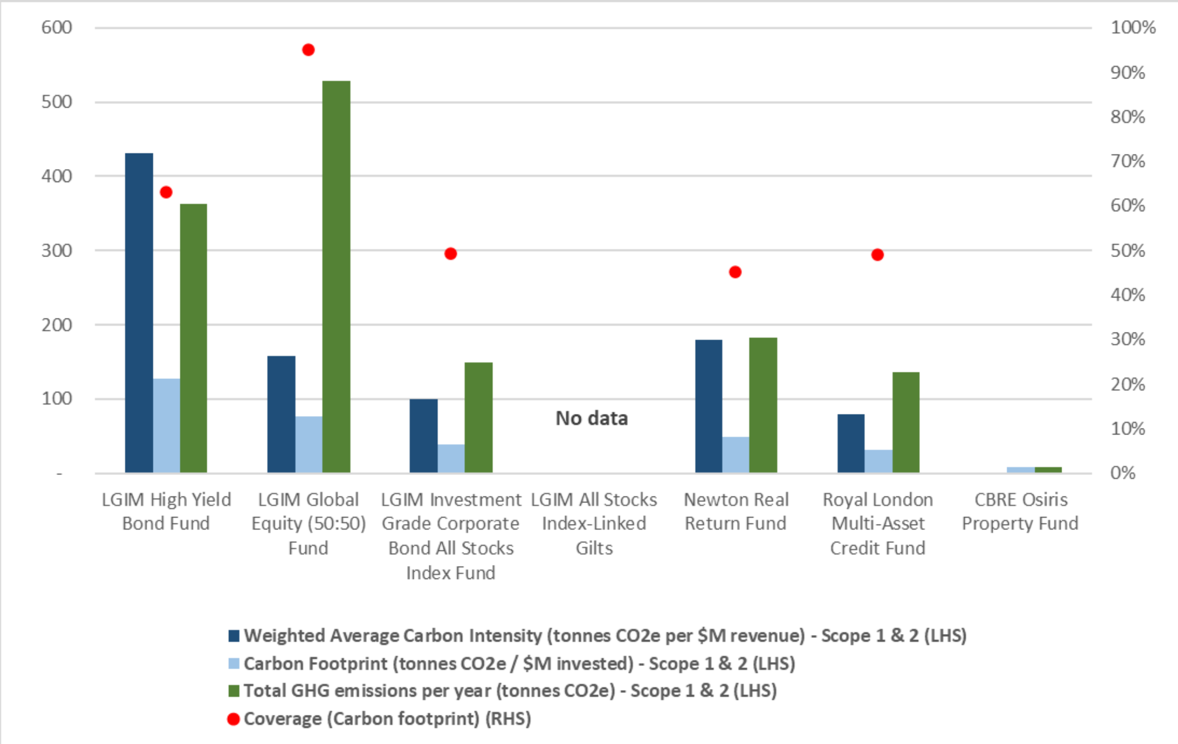
https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/

https://www.newtonim.com/info/tcfd-report/

https://www.rlam.com/uk/institutional-investors/press-centre/2023/royal-london-asset-management-shares-tcfd-report/

www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/2022-global-climate-report.pdf

6.1 Carbon disclosure metrics
Some fund managers were still working on implementation of the PLSE carbon disclosure template and so information was again supplied in different formats.



Portfolio alignment metrics

- LGIM High Yield Bond Fund – 3.3°C
- LGIM Global Equity (50:50) Fund – 2.6°C
- LGIM Investment Grade Corporate Bond All Stocks Index Fund – 2.4°C
- Newton Real Return Fund – 3.0°C
- No data for the other funds.

7. Conclusion and next steps

This year's SIP implementation statement indicates again why it is so important that fund managers honour their clients' voting policies, or if they will not do so, that pension funds use their own voting policies to try to hold them to account.

Pension schemes are required by law to describe voting behaviour, including "most significant" votes by, or on behalf of, the trustee. Yet Newton refused to accept the Trustee's choice of significant votes and refused to entertain any discussion about them.
Instead they imposed their choice of significant votes, all 10 being examples of where they voted against the management position or for a shareholder resolution. Newton's PLSA template report shows that 92.1% of the fund manager's votes were with management, and Shareaction placed their voting record on shareholder resolutions on climate change and social factors 48th in a table of 69 fund managers.

Trustees who wish to hold their fund managers to account often wish to establish why their fund manager voted with management on an issue where the trustee's voting policy would have directed a vote against – a question at the heart of many of the Trustee's thematic significant votes – but Newton would not enter into discussion on this.

This report also shows that because the fund managers are not following the trustee's voting policy they had been voting in contradictory ways, with one voting for a resolution and another voting against, for example LGIM voting against the remuneration reports at GSK and Burberry while Newton voted in favour. This effectively cancelled out the Trustee's voting policy.

Nevertheless, following the Trustee's consistent engagement with the fund managers over our priority issues we have seen very welcome progress in their moving towards the Trustee's position.

In our last implementation statement the Trustee had made clear its disappointment at the lack of commitment to the issue of trade union rights and recognition, indicated by fund managers merely supporting the rare shareholder resolutions on this rather than voting against company boards where the company is failing, and not engaging and voting on this issue where in the directors' view it is clearly necessary. The directors stated that they would be impressing upon the fund managers the need to be tougher on companies that are falling short of these standards.

The trustee was therefore pleased to note the change in LGIM's voting policy in relation to the denial of trade union rights in contravention of Principle 3. Previously LGIM had stated that it would merely support shareholder resolutions as they arise but in their 2023 voting policy LGIM is now committed to voting "against the chair or other directors of any company that is on the UNGC violator list for three consecutive years."

LGIM's human rights policy document states that LGIM "votes against the re-election of the chair or other directors of any company that is on our Future World Protection UNGC violator list for three consecutive years. Following the roll-out of further, deeper engagements on human rights in 2024, we will aim to implement a new voting policy from 2025. Application of this policy will be based on third-party data and voting will be escalated in subsequent years."

LGIM indicated that it would welcome further discussions on companies over a follow up meeting, an invitation that the Trustee will take up.

In our previous report the directors stated that they would engage with Newton regarding ethnic minority representation on boards. Despite Newton being prepared to engage with companies and vote against board directors where there is an absence of robust policy and a low level of gender diversity on the board, there was no commitment to respond the same way to a lack of ethnic diversity on the board.

The Trustee was pleased to see that Newton's 2023 voting policy now states: "In markets where access to this information can be expected (currently the US and UK only), we generally expect at least one board seat to be held by an ethnically or racially diverse director. We may consider opposing the re-election of the nomination committee chair if we consider the board to lack sufficient ethnic diversity."

The trustee was pleased that LGIM now agree that companies should be required to publish equality monitoring data for its workforce on gender and race. Their UK corporate governance and responsible investment policy states that LGIM expects all companies to disclose a breakdown of board directors, executive directors, managers and employees at a minimum by geography, main skill set, gender and ethnicity.

The trustee was pleased at the improvement in LGIM's commitment on the Living Wage that it now asks all companies in which LGIM invests to ensure they are paying a Living Wage or the real Living Wage for UK-based employees and that it also asks them to ensure that their Tier 1 suppliers are paying the Living Wage.

And on pay ratios, the trustee was pleased that LGIM's voting policy for the US market states: "From 2024, we will vote against the say on pay resolution of any S&P 500 company whose CEO to median employee pay ratio is greater than 300 and the company's total shareholder return relative to the S&P 500 has underperformed when measured over a three-year period." The trustee will continue to press LGIM to adopt a voting guideline on pay ratios for the UK market.

The trustee was also pleased that Newton's voting policy now includes that they "may oppose the re-election of the board chair, relevant director(s) or committee if we do not consider that climate risk is sufficiently being taken into account for those companies where that risk is material to the company's long-term economic prospects," and that they "may oppose remuneration proposals where the application of the transition plan is not in line with the stated strategy, notably concerning targets that are inconsistent with the strategy, where climate risk is material to the company's long-term economic prospects."

Overall the Trustee believes that this active engagement with our fund managers has proved to be of value. The Trustee had adopted these stewardship engagement priorities across the three pension schemes that it governs all of which have a common scheme sponsor, and following its engagement with four equity fund managers on the issue of ethnic minorities on boards all have now included ethnic minorities on boards as a voting policy with some voting against the chair of the nomination committee at companies failing on this policy issue. This means that shareholder votes of more than £2.5-trillion can now be used to vote against companies that are failing to meet their Parker Review targets. The trustee will continue to engage with its fund managers to ensure that such votes are cast in accordance with these policies, and to push for further progress on its strategic priority areas.