

Implementation Statement - 31 December 2022

Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	The Pension & Assurance Scheme of BMS Associates Limited
Scheme Year	1 January 2022 to 31 December 2022
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

This Implementation Statement reports on the extent to which, over the Scheme Year, the Trustee Directors have followed their policy relating to the exercise of rights (including voting rights) attaching to the Scheme's investments. In addition, the Implementation Statement summarises the voting behaviour of the Scheme's investment managers and includes details of the most significant votes cast and the use of the services of proxy voting advisers.

In preparing this statement, the Trustee Directors have considered guidance from the Department for Work & Pensions which was updated on 17 June 2022.

Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- Abrdn Diversified Growth Fund
- LGIM Future World Global Equity Index Fund
- Nordea Diversified Return Fund
- Pictet Multi Asset Portfolio
- Threadneedle Multi Asset Fund
- As at 31 December 2022, the Scheme's allocation to the DC section was less than 1% of total assets. This is not considered to be materially significant and therefore the investment managers of the DC assets have been excluded from the analysis upon which this statement is based.

The Trustee Directors' Policy Relating to the Exercise of Rights

Summary of the Policy

The Trustee Directors' policy in relation to the exercise of rights (including voting rights) attaching to the investments is set out in the SIP, and a summary is as follows:

- The Trustee Directors believe that good stewardship can help create, and preserve, value for companies and markets as a whole and the Trustee Directors wish to encourage best practice in terms of stewardship.
- The Trustee Directors invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters.
- When selecting a pooled fund, the Trustee Directors consider, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustee Directors (in conjunction with their Investment Adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustee Directors will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies, the Trustee Directors may look to replace that fund. However, in the first instance, the Trustee Directors would normally expect their Investment Adviser to raise the Trustee Directors' concerns with the investment manager.

Has the Policy Been Followed During the Scheme Year?

The Trustee Directors' opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

There has been no change to the Trustee Directors' beliefs regarding the importance of good stewardship.

The Scheme's invested assets remained invested in pooled funds over the period.

- During the Scheme Year, the Trustee Directors introduced an allocation to the Schroder's B&M Credit funds, and the BMS Liability Strategy via Schroder. The Trustee Directors considered the ESG characteristics of the funds before selecting them but, because the funds do not include an allocation to equities consideration of the exercise of voting rights was not relevant.
- In addition, during the Scheme Year, the Trustee Directors introduced an allocation to the Abrdn Diversified Growth Fund and the LGIM Future World Global Equity Index Fund. The Trustee Directors considered the ESG characteristics of the funds before selecting them and this included consideration of the investment managers' approach towards the exercise of voting rights.
- During the Scheme Year, the Trustee Directors considered the voting records of the investment managers over the period ending 31 December 2021.

- Since the end of the Scheme Year, an updated analysis of the voting records of the investment managers based on the period ending 31 December 2022 has been undertaken as part of the work required to prepare this Implementation Statement. A summary of the key findings from that analysis is provided below.
- All the investment managers used by the Scheme are UNPRI signatories.

The Investment Manager's Voting Record

A summary of the investment managers' voting records is shown in the table below.

Investment Manager	Number of votes	Split of votes:		
		For	Against / withheld	Did not vote/ abstained
Abrdn	72,000	85%	14%	2%
LGIM	150,000	76%	23%	1%
Nordea	49,000	87%	12%	1%
Pictet	45,000	87%	11%	1%
Columbia Threadneedle	13,000	91%	9%	0%

Notes

Split of votes may not sum to 100% due to rounding.

These voting statistics are based on each manager's full voting record over the 12 months to 31 December 2022 rather than votes related solely to the funds held by the Scheme.

Use of Proxy Investment Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
Abrdn	ISS	ISS administer votes and provide research but voting is determined by guidelines set by Aberdeen Standard.
LGIM	ISS and MS	ISS and MS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.
Nordea	ISS and Nordic Investor Services	Proxy advisers provide information but voting is determined by Nordea
Pictet	ISS	Research, recommendations and and vote execution provided by ISS but Pictet retains discretion to vote differently to recommendations
Columbia Threadneedle	Glass Lewis, ISS and MS	Proxy advisors provide research but voting decisions are taken by Columbia Threadneedle

Our fund managers' voting behaviour

The Trustee Directors have reviewed the voting behaviour of the investment managers by considering the following:

- broad statistics of their voting records such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management");
- the votes they cast in the year to 31 December 2022 on the most contested proposals in nine categories across the UK, the US and Europe;
- the investment managers' policies and statements on the subjects of stewardship, corporate governance and voting.

The Trustee Directors have also compared the voting behaviour of the investment managers with their peers over the same period.

Further details of the approach adopted by the Trustee Directors for assessing voting behaviour are provided in the Appendix.

The Trustee Directors' key observations are set out below.

Voting in Significant Votes

Based on information provided by the Trustee Directors' Investment Adviser, the Trustee Directors have identified significant votes in nine separate categories. The Trustee Directors consider votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the nine categories based on shares held by the Scheme's investment managers are listed in the Appendix. In addition, the Trustee Directors considered each investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

Description of Voting Behaviour

Abrdn

Abrdn has supported shareholder proposals related to environmental and social matters including proposals designed to tackle plastic pollution, civil rights and racial equality. In addition, Abrdn has supported shareholder proposals designed to improve shareholder rights.

The manager has opposed director proposals on a broad range of issues and has shown a greater tendency than many of its peers to vote against management in closely contested votes.

A notable vote related to a climate report prepared by Glencore. Abrdn opposed this on the grounds that it did not go far enough.

Abrdn's published voting policy initially lacked detail which made it difficult to understand how Abrdn would vote in the future. The Investment Advisers passed this observation back to Abrdn who have since published a more detailed policy.

The Trustee Directors have no material concerns regarding Abrdn's voting record.

Columbia Threadneedle

The manager has been supportive of shareholder proposals brought to tackle a range of ESG issues including climate change and diversity and inclusion efforts.

Columbia Threadneedle does not provide rationale for its voting behaviour online. This makes it difficult to tell whether their lack of support for some climate transition proposals was because they were opposed to the changes or because, like several other investment managers, they thought the changes did not go far enough.

It should be noted though that Columbia Threadneedle has been responsive to the Investment Adviser's questions regarding voting rationale.

Overall, the Trustee Directors have no material concerns regarding Columbia Threadneedle's voting record.

LGIM

LGIM has a greater tendency than many other investment managers to oppose management in closely contested votes. The high incidence of opposition is consistent with the broad range of policies covered within LGIM's corporate governance documentation; each policy provides a set of criteria which can be used to justify a vote against management.

LGIM has supported shareholder proposals designed to tackle ESG issues and has held directors to account regarding their energy transition proposals (proposals setting out how greenhouse gas emissions will be reduced).

The Trustee Directors have no concerns regarding LGIM's voting record.

Nordea

Whilst Nordea is not a signatory to the UK Stewardship Code, the investment manager does gain an A+ rating in respect of UNPRI.

Analysis of the voting record suggests that Nordea seems to be more willing than many of its peers to vote against director proposals on a range of issues and that the manager is supportive of shareholder proposals brought to address ESG issues.

However, unlike some of its peers, Nordea has not opposed the reappointment of auditors who have been in place for more than ten years. The Investment Advisor has reported this disparity versus its peers back to Nordea along with a request for the investment manager to publicly disclose its voting rationale.

The Trustee Directors have no material concerns regarding Nordea's voting record.

Pictet

Pictet adopts the "Sustainable Proxy Voting Guidelines" published by the proxy voting services company ISS.

As a consequence, it is to be expected that Pictet will vote in a way that supports sustainability and there is evidence that this is the case. In particular, the manager's voting record suggests that it is willing to vote against director proposals on a range of issues and is supportive of shareholder proposals brought to address ESG matters.

However, unlike some of its peers, Pictet has not opposed the reappointment of auditors who have been in place for more than ten years. Pictet's voting on such proposals is consistent with the ISS voting policy that it is following but the Investment Adviser has reported back to Pictet that considering a policy supporting the regular rotation of auditors might have merit.

The Trustee Directors' investment advisers provide regular feedback to the Scheme's investment managers where online voting disclosure is lacking or where an investment manager's voting behaviour differs materially from their peers.

Conclusions

Based on the analysis undertaken, the Trustee Directors have no material concerns regarding the voting records of any of the managers.

The Trustee Directors will keep the voting actions of the investment managers under review.

D.B. Larsen

Date:19/07/2023.....

Signed on behalf of the Trustee of the Pensions & Assurance Scheme of BMS Associates Limited