

Implementation Statement

BI Group Pension Scheme

Purpose of the Implementation Statement

This implementation statement has been prepared by the Trustee of the BI Group Pension Scheme (“the Scheme”) and sets out the following information over the year to 31 March 2024:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- The voting activity undertaken by the Scheme’s investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

Stewardship policy

The Trustee’s Statement of Investment Principles (“SIP”) in force at 31 March 2024 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in September 2020 and has been made available online here:

<https://www.dalriadatrustees.co.uk/scheme/bi-group-pension-scheme/?type=documents>

The Trustee is currently in the process of updating the SIP in light of the recent strategy changes that took place post year-end. No changes were made to the stewardship policy over the year. At this time, the Trustee has not set stewardship priorities for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

How voting and engagement policies have been followed

Based on the information provided by the Trustee’s investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the Scheme’s investment managers.
- Annually the Trustee receives a Sustainability Monitoring Report which highlights any concerns with the ESG and Stewardship activities of the Schemes’ holdings.
- The Trustee receives a report from their investment adviser annually, which includes ESG integration information, voting statistics and engagement statistics for the investment managers. Having reviewed this, and the information contained in this Statement, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

As a professional Trustee, the Scheme’s Trustee maintains current knowledge of ESG considerations, including through training sessions in relation to the BI Pension Scheme where appropriate.

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Summary

At the year-end, the Scheme's investment managers were Insight Investment, Columbia Threadneedle ("CT") and Newton Investment Management Limited. The Scheme's investment managers are signatories to the UK Stewardship Code or equivalent. The Trustee regularly considers the performance of the funds held with each investment manager and any significant developments that arise.

Based on the information received, the Trustee believes that the investment managers have acted in accordance with the Scheme's voting, engagement and stewardship policies. The Trustee is supportive of the key voting action taken by the applicable investment managers over the period to encourage positive governance changes in the companies in which the funds hold shares. More detail of the asset managers' overall voting and engagement over the year is set out later in this statement.

The Trustee and its investment consultant are working with the investment managers to provide additional information in the future, in order to enhance their ability to assess the investment managers' actions.

Prepared by the Trustee of the BI Group Pension Scheme

September 2024

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Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's portfolio on behalf of the Trustee over the year to 31 March 2024.

Voting summary

The LDI, bonds and cash funds with Insight have no, or negligible amounts of, assets with voting rights given the nature of the mandates. Therefore, these funds are not included in the tables below.

Manager	Newton	Columbia Threadneedle
Fund name	BNY Mellon Real Return Fund	Dynamic Real Return Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.	
No. of eligible meetings	69	344
No. of eligible votes	1,101	4,988
% of resolutions voted	99.3%	99.9%
% of resolutions abstained	0.0%	1.1%
% of resolutions voted with management¹	92.0%	88.8%
% of resolutions voted against management¹	7.8%	10.1%
% of resolutions voted against proxy voter recommendation	4.9%	n/a

Source: information provided by the managers over the year to 31 March 2024. The proportion of resolutions that were voted on or abstained from may not add up to 100%. This can be due to how investment managers or local jurisdictions define voting and abstentions.

¹ As a percentage of the total number of resolutions voted on
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Proxy advisory services

Columbia Threadneedle uses Institutional Shareholder Services' (ISS) electronic voting platform to execute their vote instructions. Threadneedle deploy their own specialist corporate governance team on what they deem the most complex and sensitive cases. Threadneedle also uses Glass, Lewis & Co., IVIS (in the UK) and ISS to provide proxy research services.

While **Newton** are cognisant of their proxy advisors' voting recommendations (ISS), they do not routinely follow its recommendation. They claim that ISS is only used when Newton recognises a potential material conflict of interest.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out in this statement. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities. At this time, the Trustee has not set stewardship priorities for the Scheme. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a "significant vote".

The investment managers have provided a selection of votes which they believe to be significant. In the absence of stewardship priorities, and in the interest of concise reporting, the Trustee has selected three votes from the investment managers to represent what it considers the most significant votes cast on behalf of the Scheme.

The Scheme's managers determine significant votes in the following ways:

Newton | Newton's significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. The significant votes will be drawn from this universe and are defined as votes that are likely to generate significant scrutiny from end clients or other stakeholders.

Columbia Threadneedle | votes are selected on one of the following criteria: materiality of issues and the impact on shareholder value, votes against the recommendation of the Board, value/size of the shareholding relative to the total portfolio, the materiality of the vote to engagement outcomes, and the size of holdings in the company.

To represent the most significant votes, the votes of the largest holdings are shown overleaf.

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Columbia Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	Amazon.com, Inc.	Mastercard Incorporated
Date of vote	7 December 2023	24 May 2023	27 June 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.9%	1.2%	0.6%
Summary of the resolution(s)	Report on risks of operating in countries with significant human rights concerns	Report on the impact of their climate change strategy to be consistent with transition guidelines	Report on lobbying payments and policy
How the manager voted	Abstain	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No
Rationale for the voting decision	The company faces risks related to human rights in its global operations. Threadneedle believes that good practice includes disclosing further information regarding the human rights assessment process along with a narrative on how impacts are monitored and effectively mitigated.	The manager is supportive of requests to enhance disclosure and transparency concerning climate risk, so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. Threadneedle believes that the current disclosure does not sufficiently provide investors with enough information.	Threadneedle believes that comprehensive, aggregate disclosure on political spending is best practice. They believe that disclosure should include all state and local donations. Threadneedle ask that the board provide ultimate oversight for political donations.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of the managers' research and investment process.		
Criteria on which the vote is considered "significant"	Vote against management on certain environmental or social proposals and over 20% dissent.		

Source: Columbia Threadneedle

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Newton, BNY Mellon Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	Unilever Plc	Lockheed Martin Corporation
Date of vote	23 May 2023	3 May 2023	27 April 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.0%	1.2%	1.0%
Summary of the resolution	Request Shell to align its existing 2030 reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement	Approve the remuneration report	Report on efforts to reduce full value chain GHG emissions in alignment with the Paris Agreement goal
How the manager voted	Abstained	Against	For
Rationale for the voting decision	BNY Mellon abstained because they believed that voting in favour of this resolution could be considered as overstepping. Additionally, they believe that the current transition plan merits more robust 2030 goals in order to gain credibility. BNY felt they could not support the shareholder proposal as its language makes it difficult to support as no competitor to Shell has set a credible absolute Scope 3 target.	BNY Mellon voted against executive pay arrangements due to significant pay increases granted to executives and the absence of a compelling rationale for this.	BNY Mellon supported a shareholder proposal asking for a report on efforts to reduce the full value chain GHG emissions in alignment with the Paris Agreement. BNY believes that more information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk.
Outcome of the vote	80% of shareholders voted against the resolution	58% of shareholders voted against the resolution	33% of shareholders voted for the resolution
Implications of the outcome	The significant dissent on the proposal shows concern from the shareholder base around Shell's transition plan.	The vote outcome is a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year under the review. BNY Mellon will continue to exercise future votes in support of their views surrounding significant salary increases and alignment between pay and performance.	The support received for the shareholder proposal is substantial and must be accounted for. BNY Mellon expects the company to provide enhanced disclosures especially around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes.
Criteria on which the vote is considered "significant"	Due to the company being a significant emitter.	Significant due to shareholder dissent.	The vote was deemed significant due to the rarity of a shareholder proposal receiving significant support.

Source: BNY Mellon

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Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee.

The table below provides a summary of the engagement activity undertaken by Newton and Columbia Threadneedle during the year to 31 March 2024.

Engagement activities are limited for the Scheme’s holdings with Insight Investment due to the nature of the underlying holdings, so engagement information for these assets has not been shown.

Manager	Newton	Columbia Threadneedle
Fund name	BNY Mellon Real Return Fund	Dynamic Real Return Fund
Number of engagements undertaken on behalf of the holdings in the Fund in the year	20	325
Number of entities engaged on behalf of the holdings in this Fund in the year	9	168
Number of engagements undertaken at a firm level in the year	42	1,513

Source: Newton, Threadneedle

We have queried with Newton as to why the total number of engagements at a firm wide level is materially lower than last year. During 2023, Newton re-defined engagement to be focused only on outcome-oriented engagements that create measurable, and actionable change. Given their change in definition, their engagement numbers will be materially lower compared to prior years.

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Examples of engagement activity undertaken over the year to 31 March 2024

This section provides examples of engagement activity undertaken by the investment managers within the Scheme’s growth portfolio on behalf of the Trustee over the year to 31 March 2024.

Only firm-wide examples were provided. They may not be directly relevant to the Schemes.

Manager	Example engagements and engagement themes at firm level
<p>Newton</p>	<p>Nestle</p> <p>Rationale for the engagement: This one-on-one meeting is a continuation of an individual and collaborative engagement with Nestle. Newton followed up on the company's commitment to (a) to set a target for healthy sales, which is planned for September, and (b) how it is setting its strategy to achieve this.</p> <p>Actions: Following the call in May, there were few new updates during this meeting. There were two key points to note though: (1) Nestle intends to add a second component to its target relating to the less healthy segment of its portfolio. This will be qualitative and likely refer to including guidance for consumers on how to consume indulgent products. This seems reasonable, but could be stronger, though we need to see details to be specific. (2) Newton discussed the company's strategy to make progress toward its target.</p> <p>Outcomes and next steps: As prior, this is a strong example that can be used of an engagement outcome. The reason for the engagement is that concerns about the impact of unhealthy foods and drinks are increasingly resulting in shifts in consumer behaviour and in new regulation. Newton believes it is important for companies to manage these risks and opportunities and ensure their business models and strategies are both resilient and positioned to benefit from expected changes. One of the recommended ways to achieve this is to measure and report on the proportion of sales that are healthy. Newton’s ask was that the company discloses the overall ‘healthiness’ of its product portfolio using a recognised (government-endorsed) model (Nutrient Profiling Model). Newton think this is important in terms of ESG integration as it enables the company to identify where it is most at risk in terms of incoming regulation, and can therefore prioritise reformulation, new product development and M&A. Newton are pleased with Nestle's response and public reporting on this, which involves significant work.</p>
<p>Columbia Threadneedle</p>	<p>CoStar Group Inc.</p> <p>CoStar is a US based company within the professional services industry. Columbia Threadneedle reached out to the company ahead of their Annual General Meeting (AGM) to discuss the company’s board composition. Threadneedle consider them to have excessive tenure with an average board tenure of 16 years, which is significantly higher than Threadneedle’s threshold of 13 years.</p> <p>The company emphasized they are looking to add new directors. They also stated that they are incorporating an additional level of scrutiny when assessing the board quality. After Threadneedle’s dialogue with the company, they voted against two heavily tenured directors, one serving CoStar for 36 years and another serving CoStar for 21 years, as they also lead two key committees. Threadneedle will continue to monitor the evolution of the board composition.</p>