

Birmingham Chamber of Commerce Pension Fund – Implementation Statement 2022

1. Introduction

On 6 June 2019, the UK Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the “Regulations”). The Regulations require that the Trustee of the Birmingham Chamber of Commerce Pension Fund (the “Scheme”) outlines how it has ensured compliance with the policies, on the exercise of rights and undertaking of engagement activities with investment managers, as set out in the Scheme’s Statement of Investment Principles (“SIP”) dated November 2020. This was the SIP in place at the Scheme’s year-end date, 30 June 2022.

This Statement has been prepared by the Trustee with the assistance of its appointed Investment Consultant (Quantum Advisory). This statement does not cover the additional voluntary contributions of the Scheme, due to the size of the holding.

References herein to the actions, review work or determinations of the Trustee refer to activity that has been carried out either by the Trustee or their Investment Adviser on behalf of the Trustee.

2. Executive summary

Over, or with regards to the Scheme year, the Trustee:

- Through their Investment Adviser, reviewed the voting and engagement activity of the funds that invest in equities. The Trustee is generally content that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- Is of the opinion that they have complied with the relevant policies and procedures as identified in the SIP.
- Has remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

It should be noted that the funds that do not hold equities have not been reviewed, as the Trustee believes that there are fewer (if any) voting opportunities. Further detail on each of these matters is presented in the pages that follow.

3. Reviews of the SIP

The SIP was last reviewed in November 2020.

The Trustee confirms that:

- There have been no amendments to the SIP over the year.
- The SIP will be reviewed in the near future should the Trustee amend the investment strategy. The investment strategy is currently being reviewed by the Trustee. This will ensure any amendments to investment policy resulting from a review of investment strategy that is ongoing are reflected. The Trustee will seek advice from their Investment Adviser on the SIP and the suitability of the investments.

4. Investment Managers' voting policies and histories

Trustee's voting and stewardship policies

The Trustee acknowledges the constraints it faces in terms of influencing change due to the size and nature of the Scheme's investments. It does, however, acknowledge the need to be responsible stewards and exercise the rights associated with its investments in a responsible manner.

The Trustee considers how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustee has provided the appointed investment manager with full discretion concerning the stewardship of their investments. Representatives of the incumbent investment manager may be asked to attend Trustee's meetings, at a frequency determined by the Trustee, in order to present on various matters including their stewardship policies. The Trustee will continue to ensure that the stewardship policies of the Scheme's investment manager are embedded in their investment processes.

As part of preparing this statement, the Trustee reviewed the voting activity of funds where there is an increased ability to influence positive practises (namely those that invest in equities). The following funds have been reviewed:

- LGIM Dynamic Diversified

The Trustee has not reviewed the Scheme's AVC holdings on materiality grounds, as they represent a relatively small proportion of total Scheme assets.

LGIM's voting policies and procedures are outlined in Appendix 1 of this report.

Voting statistics

The table below sets out the key statistics on voting eligibility and action over the Scheme year.

Statistic / Fund	LGIM Dynamic Diversified
Number of equity holdings	6,905
Meetings eligible to vote at	9,483
Resolutions eligible to vote on	97,704
Proportion of eligible resolutions voted on (%)	99.8
Votes with management (%)	77.7
Votes against management (%)	21.6
Votes abstained from (%)	0.7
Meetings where at least one vote was against management (%)	71.3
Votes contrary to the recommendation of the proxy adviser (%)	12.9

Source: LGIM. Please note, totals may not sum due to rounding.

The Trustee has, through their Investment Adviser, reviewed the significant votes cast by the investment manager and is generally satisfied with the level of voting activity undertaken over the year to 30 June 2022. A cross section of the most significant votes cast is contained in Appendix 2.

5. Conflicts of interest

This section provides information on whether the managers are affected by the following conflicts of interest, and how these are managed.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;
5. Differences between the stewardship policies of managers and their clients.

The following sections provide the responses received from the managers.

LGIM

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by. Instead, LGIM refer investors to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed. This is available here:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

The Trustee:

- Has received a copy of the conflicts of interest policy; and
- Has queried LGIM's position not to directly comment on the five conflicts of interest detailed above.

Appendix 1 – investment manager voting policies and procedures

LGIM voting policies and process

LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

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 strategic decisions are not outsourced. The use of ISS recommendations is to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to seek to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment manager of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme’s investment manager has been reviewed by the Trustee.

LGIM

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”) consultation. This includes but is not limited to:

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

LGIM Dynamic Diversified

Company Name	Microsoft Corporation	Royal Dutch Shell Plc
Date of Vote	30 November 2021	24 May 2022
Summary of the resolution	Elect Director Satya Nadella	Approve the Shell Energy Transition Progress Update
How the firm voted	Against the resolution	Against the resolution
Outcome of the vote	94.7% of shareholders supported the resolution	79.9% of shareholders supported the resolution
On which criteria have you assessed this vote to be "most significant"?	LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes	Climate-related engagement activity and public call for high quality and credible transition plans

Source: Investment Manager.