

The British & Foreign Bible Society 1972 Pension Scheme

Implementation Statement

Scheme year ended 31 March 2021

This Statement sets out how the Trustees approached the implementation of the environmental, social and governance (“ESG”) policies set out in the Statement of Investment Principles over the year to 31 March 2021.

At the beginning of the reporting period, the Scheme consisted of both a Defined Benefit (“DB”) and a Defined Contribution (“DC”) section. However, prior to 31 March 2020, the decision was made to close the DC section of the Scheme and all but one of the members were transferred out. The one member that was unintentionally left behind was subsequently transferred out of the Scheme on 19 October 2020. Given that over the period from 31 March 2020 to 19 October 2020, the Scheme’s DC section consisted of a single member with an investment in a single fund and that there were no assets remaining in the DC section as at the Scheme year-end, it is the Trustees’ view that this holding is not material in relation to the Scheme’s assets and it has therefore been excluded from this year’s Statement.

How voting and engagement policies have been followed

The Trustees consider their voting and engagement policies to have been met in the following ways:

- At the Scheme year-end, the investment managers appointed to manage assets on behalf of the Scheme were Aegon Asset Management, Baillie Gifford & Co, Legal & General Investment Management (“LGIM”), M&G Investments and Ruffer LLP. The Trustees consider the performance of the Scheme’s funds and any significant developments at least twice a year. Over the Scheme year, the investment managers have provided information on their ESG policies and details of how they integrate ESG into their investment processes.
- The Scheme invests entirely in pooled funds and as such the Trustees delegate responsibility for carrying out voting and engagement activities to the Scheme’s investment managers. Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers’ general policies on corporate governance. The Trustees also expect the investment managers to have engaged with the companies in which they invest in relation to ESG matters.
- The Trustees receive annual reports on voting and engagement based on information from their investment managers and review this annually to ensure alignment with their own policies. This exercise was undertaken in October 2020. The Trustees were satisfied that no remedial action was required at that time.
- Incoming regulatory ESG requirements were discussed at the May 2020 Trustees’ meeting and subsequent action was taken by the Trustees to comply with these requirements.
- Having reviewed the above, the Trustees are comfortable that the actions of their investment managers are in alignment with the Scheme’s policies.

Voting data

The voting data collated for the Scheme is given over the year to 31 March 2021.

There are no voting rights attached to the LGIM Active Corporate Bond (All Stocks) Fund or the M&G Long Dated Corporate Bond Fund, therefore these funds are not included in the tables below.

Investment manager	Ruffer	Baillie Gifford	Aegon	M&G
Fund name	Absolute Return Fund	Diversified Growth Fund	Ethical Cautious Managed Fund	Discretionary Fund
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the investment manager's voting behaviour			
Number of company meetings the investment managers was eligible to vote at	86	103	75	1,585
Number of resolutions the investment manager was eligible to vote on	1,144	925	1,257	20,340
Percentage of resolutions voted on for which the investment manager was eligible	97%	96%	100%	70%
Percentage of resolutions abstained from*	2%	1%	1%	1%
Percentage of resolutions voted against management*	9%	5%	1%	5%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor*	8%	Information not provided	4%	4%

*As a percentage of the resolutions on which the investment manager voted.

All four investment managers included in the table above employ the use of Institutional Shareholder Services (ISS) for proxy advisory services. Baillie Gifford also use the services of Glass Lewis, whilst Aegon and M&G also use the Institutional Voting Information Service.

Source: Information provided by the investment managers.

Significant votes

The task of defining what a “significant vote” is has been delegated to the investment managers. A sample of significant votes across each of the relevant funds in which the Scheme invests over the year to 31 March 2021 is set out below.

Ruffer Absolute Return Fund

	Vote 1	Vote 2	Vote 3
Company name	ExxonMobil	Aena S.M.E	WH Smith
Date of vote	27 May 2020	29 October 2020	20 January 2021
Approximate size of the Fund’s holding as at the date of the vote (as % of portfolio)	0.41%	0.70%	0.27%
Summary of the resolution	Vote on the re-election of non-executive directors	Vote on a shareholder resolution relating to the firm’s climate transition plan	Vote to approve the remuneration report
How the investment manager voted	Against	For	Against
If the vote was against management, did the investment manager communicate their intent to the company ahead of the vote?	Yes	No	Yes
Rationale for the voting decision	Ruffer would like ExxonMobil to further align its strategy with the goals of the Paris Agreement and accept responsibility for its scope 3 emissions. Due to the limited progress since the 2019 Annual General Meeting, Ruffer decided again to vote against the re-election of all non-executive directors because they do not think they have been representing the best interests of shareholders owing to the slow progress of their engagement with the Climate Action 100+ initiative.	Ruffer believe that climate change-related risks may be significant for the long-term performance of Aena.	This vote was not intended to express a negative view of the performance of WH Smith’s CEO and management team, but rather that Ruffer felt going ahead with a pre-planned base remuneration increase was not appropriate in the circumstances at the time.
Outcome of the vote	Passed	Passed	Passed, however the Board has subsequently confirmed they are revising the remuneration report and will not include the executive pay increase due to the feedback from shareholders

	Vote 1	Vote 2	Vote 3
Implications of the outcome	Ruffer have since sold down their share in ExxonMobil considerably	The firm's management have committed to giving shareholders an annual vote on its climate transition plan	Ruffer will continue to vote against remuneration policies they deem inappropriate
Criteria on which the vote is considered "significant"	A vote against the election of directors for a material holding	A vote to increase the transparency of a company's climate related transition planning and outcomes	A vote against management in the context of engagement with the firm and the result of extensive internal discussions

Source: Information provided by the investment manager.

Baillie Gifford Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Covivio REIT	Gecina	Merlin Properties
Date of vote	22 April 2020	23 April 2020	16 June 2020
Approximate size of the Fund's holding as at the date of the vote (as % of portfolio)	0.45%	0.34%	0.21%
Summary of the resolution	Vote on the remuneration policy and report	Vote on the remuneration policy and report, including the Incentive Plan	Vote on the remuneration report
How the investment manager voted	Against	Against	Against
If the vote was against management, did the investment manager communicate their intent to the company ahead of the vote?	No	Yes	No
Rationale for the voting decision	Baillie Gifford voted against five remuneration resolutions as they felt otherwise this could lead to rewarding under-performance.	Baillie Gifford voted against three remuneration resolutions as they did not believe there was sufficient alignment between pay and performance.	Baillie Gifford voted against the resolution to approve the remuneration report because of concerns with quantum.
Outcome of the vote	Passed	Passed	Passed
Implications of the outcome	Baillie Gifford will continue a dialogue with the company and take appropriate voting action	Baillie Gifford will continue to engage with the company to advise on areas for improvement	In 2020 Baillie Gifford saw significant improvements in the company's remuneration policy
Criteria on which the vote is considered "significant"	A vote opposing remuneration	A vote opposing remuneration	A vote opposing remuneration

Source: Information provided by the investment manager.

Aegon Ethical Cautious Managed Fund

	Vote 1	Vote 2	Vote 3
Company name	Standard Life	Advanced Medical Solutions	Informa Plc
Date of vote	12 May 2020	10 June 2020	12 June 2020
Approximate size of the Fund's holding as at the date of the vote (as % of portfolio)	0.11%	0.70%	1.40%
Summary of the resolution	Vote to approve the remuneration policy	Vote to re-elect Steve Bellamy to the audit committee	Vote to approve the remuneration report
How the investment manager voted	For	Abstained	Against
If the vote was against management, did the investment manager communicate their intent to the company ahead of the vote?	Yes	Yes	Yes
Rationale for the voting decision	Standard Life revised their historic remuneration policy following concerns that the remuneration structure was overly complicated and was unlikely to lead to an alignment of interests.	Mr Bellamy has served on the audit committee for more than 13 years concurrently with the firm's CEO, therefore Aegon no longer consider him to be independent. However, succession planning had been hampered due to the COVID situation and the departure of another non-executive. As such, Aegon abstained rather than voting against.	Aegon felt the proposed remuneration policy could lead to significant potential for undeserved reward.
Outcome of the vote	Passed	Passed, but Aegon noted there was a large degree of opposition (>25%)	Passed, but Aegon noted there was a large degree of opposition (>35%)
Implications of the outcome	Aegon feel the result demonstrates that persistence pays off	Aegon will monitor the progress on this issue	The company brought another vote in December on the remuneration policy, which was a completely different structure, however Aegon feel this was still not a satisfactory outcome
Criteria on which the vote is considered "significant"	A change as a result of persistent engagement	There was a large degree of opposition	There was a large degree of opposition

Source: Information provided by the investment manager.

M&G Discretionary Fund

	Vote 1	Vote 2	Vote 3
Company name	Aggreko Plc	CRH	Total SA
Date of vote	23 April 2020	23 April 2020	29 May 2020
Approximate size of the Fund's holding as at the date of the vote (as % of portfolio)	<i>Information not provided</i>	<i>Information not provided</i>	<i>Information not provided</i>
Summary of the resolution	Vote to approve the remuneration report	Vote to approve the remuneration report	Vote to instruct the firm to set and publish targets for greenhouse gas emissions aligned with the goal of the Paris Agreement and to amend article 19 of the bylaws accordingly
How the investment manager voted	Against	Against	Abstain
If the vote was against management, did the investment manager communicate their intent to the company ahead of the vote?	<i>Information not provided</i>	<i>Information not provided</i>	Yes
Rationale for the voting decision	M&G were concerned that the remuneration proposed was excessive given the firm's dividend cut and market conditions at the time.	M&G voted against due to executive pension contributions not being in line with the general workforce.	M&G abstained due to concerns over whether the resolution could be implemented in a way that is detrimental to shareholders' interests.
Outcome of the vote	<i>Information not provided</i>	<i>Information not provided</i>	<i>Information not provided</i>
Implications of the outcome	<i>Information not provided</i>	<i>Information not provided</i>	<i>Information not provided</i>
Criteria on which the vote is considered "significant"	A vote on remuneration	A vote on remuneration	A vote on environmental and social issues

Source: Information provided by the investment manager.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each of the Scheme's investment managers during the year to 31 March 2021.

Investment manager	Ruffer	Baillie Gifford	Aegon	M&G	M&G	Legal & General
Fund name	Absolute Return Fund	Diversified Growth Fund	Ethical Cautious Managed Fund	Discretionary Fund	Long Dated Corporate Bond Fund	Active Corporate Bond (All Stocks) Fund
Does the manager perform engagement on behalf of the holdings of the Fund?	Yes	Yes	Yes	Yes	Yes	Yes
Number of entities engaged with on behalf of the holdings in the Fund over the year	25	38	41	23	9	Information not provided
Number of entities engaged with at a firm level over the year	33	Information not provided	511	65	65	874*

* LGIM provide the total number of companies engaged with on a quarterly basis. As such, it is not possible to discern whether a single company has been counted more than once within the above figure (e.g. this would be the case if LGIM engaged with the same company in more than one quarter).

Source: Information provided by the investment managers.

Examples of engagement activities

The table below contains an example engagement activity for each fund over the year to 31 March 2021.

Investment manager	Example engagement activity
Ruffer Absolute Return Fund	Ruffer engaged with ArcelorMittal over the objectives of Climate Action 100+ given their desire to engage with companies that make a significant contribution to global greenhouse gas emissions. The purpose of the engagement was to encourage the company to adapt their business models to align with the transition to a low carbon economy. The engagement focused on setting net-zero targets for 2050 and linking the achievement of these targets to executive remuneration. This built on numerous conversations Ruffer had with the company in 2019 around setting a 2030 target for European operations.

Investment manager	Example engagement activity
Baillie Gifford Diversified Growth Fund	Baillie Gifford engaged with Orsted A/S, a Danish multinational power company, to discuss their long-term ambition and its role in addressing climate change through the provision of renewable energy. The discussion addressed competitive dynamics in the offshore wind industry and how Orsted aims to maintain its competitive advantage. Furthermore, Baillie Gifford also explored the firm's culture, including Orsted's approach to innovation and will continue its engagements with the company.
Aegon Ethical Cautious Managed Fund	Aegon encourage companies to improve the diversity of their management teams and their reporting on this issue. Aegon have had many conversations covering innovative programmes being implemented in some of the companies in which they invest. For example, Aveva, one of the holdings within the Ethical Cautious Managed Fund, have a programme to retain women in India after they leave to start families.
M&G Discretionary Fund	M&G engaged with automation and communications specialist Quadient to encourage further disclosure and policies relating to human rights and modern slavery. The engagement with Quadient allowed M&G to look in greater depth at its approach to supply chain management, especially relating to conflict minerals and human rights. M&G asked the company to publish full public policy documents on human rights, supplier practices, and business ethics and data privacy. Quadient was extremely receptive to both M&G's questioning and the suggestion of releasing public-facing policy documents. The company has assured M&G that it intends to publish these, and supplementary information, on its website in the near future.
M&G Long Dated Corporate Bond Fund	Glencore, one of the underlying holdings in the Long Dated Corporate Bond Fund, announced a NZ50 (net zero by 2050) target for scope 1-3 emissions (alongside a 40% reduction by 2035) by putting the coal division into run-off while promoting the head of that division to become the new Chief Executive of the company. M&G held a meeting with the company to equate the two actions as they appeared contradictory and could be perceived as undermining its own climate ambitions. Glencore explained the new CEO had wide experience within the business and was also instrumental in designing the coal run-off strategy (and it was seen as important that the new CEO owned this strategy). In terms of reducing emissions, coal will be the main contributor as production is reduced. Other methods to reduce emissions will include electrifying mining equipment and transport and using carbon offsetting strategies.
Legal & General Active Corporate Bond (All Stocks) Fund	<i>Legal & General do not provide fund-specific engagement data.</i>

Summary

Based on the information received, the Trustees believe that the investment managers have acted in accordance with the Scheme's ESG and stewardship policies. The Trustees are 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 they hold shares.

The Trustees and their investment consultant are working with the investment managers to provide additional information in the future, including where indicated above, in order to enhance their ability to assess the investment managers' actions.

Approved by the Trustees of the British & Foreign Bible Society 1972 Pension Scheme

September 2021