

Engagement Policy Implementation Statement (“EPIS”)

The BRE & LPC Pension Scheme (the “Scheme”)

Scheme Year End – 30 September 2023

The purpose of the EPIS is for us, the Trustees of the BRE & LPC Pension Scheme, to explain what we have done during the year ending 30 September 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

We delegate the management of some of the Scheme’s assets to our fiduciary manager, Aon Investments Limited (“Aon”). We believe the activities completed by our fiduciary manager to review the underlying managers’ voting and engagement policies, and activities align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

How voting and engagement policies have been followed

The Scheme is invested mostly in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the Trustees' policy. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Scheme's investments on a bi-annual basis and received updates on important issues from our Investment Consultant, Aon Investments Limited ("Aon"). In particular, we received bi-annual Environmental, Social, and Governance ("ESG") ratings from Aon for the funds in which the Scheme is invested, where available.

During the Scheme year, we received training from Aon's Responsible Investment ("RI") team, which included:

- Regulatory developments such as new guidance from the Department of Work & Pensions
- Common stewardship and engagement themes, including important topics such as Board diversity and climate change.
- We also discussed the net zero transition, including Aon's commitments and the net zero approach from the Company.

In September 2023, we received a paper from our Investment Consultant, Aon, on the approach our investment managers take with respect to the consideration and integration of ESG issues within their investment approach and engagement with companies and assets. We also met with the Scheme's managers to discuss these matters.

The Scheme's stewardship policy can be found in the SIP: <https://bregroup.com/about-us-2/policies-and-accounts/>

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our fiduciary manager's engagement activity

We invest some of the Scheme's assets in Aon's Diversified Liquid Credit Strategy. This is a fund of funds arrangement, where Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the underlying funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, and important stewardship matters, such as climate, biodiversity, and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 30 September 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Ruffer LLP – Absolute Return Fund	1,065	100.0%	3.0%	2.0%
Schroders – Diversified Growth Fund	15,732	94.0%	10.0%	0.0%

Source: Managers

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

	Description of use of proxy voting adviser(s) (in the managers' own words)
Ruffer LLP	Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS). We have developed our own internal voting guidelines, however we take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.
Schroders	ISS act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with our own bespoke guidelines, in addition, we receive ISS's Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e., is not necessarily specific to the funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund Level	Firm level	
Ruffer LLP – Absolute Return Fund	17	44	Environment - Climate change, Pollution, Waste Social – Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance – Board effectiveness – Diversity, Leadership - Chair/CEO Strategy, Financial and Reporting - Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting, strategy/purpose, Risk management)
Schroders – Diversified Growth Fund	1,193	>2,800	Environment - Climate change, Pollution, Waste Social – Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance – Board effectiveness – Diversity, Leadership - Chair/CEO Strategy, Financial and Reporting - Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting)
DRC – UK Whole Loan Fund	15-20	150	Environment - Climate change, Pollution, Waste Social - Conduct, culture, and ethics (e.g., tax, anti-bribery, lobbying), Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance – Board effectiveness – Independence or Oversight, Leadership - Chair/CEO Strategy, Financial and Reporting - Strategy/purpose, Financial performance
Bentall Grean Oak Secured Lending Fund III LP	5	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact Social - Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Governance - Board effectiveness – Diversity, Board effectiveness - Independence or Oversight, Strategy, Financial and Reporting – Capital allocation, Financial performance.
Underlying managers of Aon's Diversified Liquid Credit Strategy:			
Schroders – International Selection Fund Securitised Credit Fund	<i>Not provided</i>	>2,800	Environment - Climate change, Natural resource use/impact (e.g., water, biodiversity) Social - Conduct, culture, and ethics (e.g., tax, anti-bribery, lobbying) Governance - Board effectiveness – Diversity/Independence or Oversight/Other, Leadership - Chair/CEO, Remuneration, Shareholder rights Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks)
Barings – Short Dated Credit	476	760	Environment – Climate change, Natural resource use/impact Social – Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety), Public health Governance – Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting – Reporting (e.g., audit, accounting, sustainability reporting), Strategy/purpose

Source: Managers. Schroders did not provide fund-level themes for the International Selection Fund Securitised Credit Fund; themes provided are at a firm-level.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- BGO did not provide firm-level engagement examples. The manager said that it could not provide the data because they do not currently track total number of engagements or the breakdown by outcome.
- Schroders did not provide fund-level engagement data for the International Selection Fund Securitised Credit Fund due to the nature of the asset class but did provide an ESG engagement deck explaining their approach for securitised products and asset-based finance.

This report does not include commentary on the Scheme's investments in Schroders Liability Driven investments or cash because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme’s managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

Ruffer LLP – Absolute Return Fund	Company name	BP Plc
	Date of vote	27-April-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.5%
	Summary of the resolution	Environmental - Approve Shareholder Resolution on Climate Change Targets
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	We voted with management.
	Rationale for the voting decision	BP has, in our opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Whilst BP has tightened & reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. This resolution asks for "BP to align its 2030 Scope 3 aims with Paris". Firstly, this would require a wholesale shift in strategy, which we believe is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. This burden is unfair, particularly in the context of BP making long-cycle investment decisions.
	Outcome of the vote	Failed
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which are deemed as unnecessary.	
On which criteria have you assessed this vote to be "most significant"?	We believe this vote will be of particular interest to our clients. We support management in their effort to provide clean, reliable, and affordable energy.	
Schroders – Diversified Growth Fund	Company name	KLA Corporation
	Date of vote	2-November-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal

How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	We may tell the company of our intention to vote against the recommendations of the board before voting, in particular if we are large shareholders or if we have an active engagement on the issue. We always inform companies after voting against any of the board's recommendations.
Rationale for the voting decision	A vote for this proposal is warranted because we believe it to be in the best interest of shareholders to better understand how the company is managing its transition.
Outcome of the vote	Fail
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We monitor voting outcomes particularly if we are large shareholders or if we have an active engagement on the issue. If we think that the company is not sufficiently responsive to a vote or our other engagement work, we may escalate our concerns by starting, continuing or intensifying an engagement. As part of this activity we may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.
On which criteria have you assessed this vote to be "most significant"?	Shareholder Proposal; Votes against management

Source: Managers