Bristol Street Pension Scheme – Annual Engagement Policy Implementation Statement (the 'Statement')

Introduction

This Statement sets out how, and the extent to which, the Engagement Policies in the Statement of Investment Principles ('SIP') produced by the Trustee have been followed during the year to 5 April 2023. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The investment objectives of the Scheme included in the SIP are as follows:

- The Trustee's primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due.
- The Trustee is therefore aiming to achieve a funding level of 100% of the Scheme's Technical Provisions and thereafter to maintain 100% funding.
- The Trustee recognises that to satisfy the objectives set out above, a portfolio of investments, the elements of which carry different risks and rewards, is required. For example, a portfolio composed entirely of gilts would best protect against changes in the value placed on the liabilities but may not provide the returns required to achieve the primary investment objectives. Therefore, the Trustee takes the balance of risk and reward into account when selecting investments.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in September 2020.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their Investment Consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This training was initially held on 11 April 2019. The ESG ratings of the investment managers, provided by the investment consultant, and the approach which the investment managers take on ESG were discussed at the Trustee meeting in August 2021.

The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

1. Engagement

- The Trustee requested that the investment managers confirmed compliance with the principles of the UK Stewardship Code. All managers confirmed that they are signatories of the current UK Stewardship Code and are on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.
- The investment managers' performance reports are reviewed by the Trustee on a quarterly basis. – one of the reports includes ratings from the Investment Consultant (both for general investment prospects

and specifically on the extent to which ESG factors are integrated into the managers' investment process for the corporate bond and liability hedging assets).

- The types of investment funds held by the Trustee do not offer significant opportunities for ESG engagement by the investment managers. The positions taken by BlackRock, the diversified growth fund ("DGF") manager is across total markets (i.e. taking exposure to US equities for example) as well as picking individual stocks. This reduces the scope for ESG factors to be taken into account. Despite this, the Investment Consultants' ESG rating for the BlackRock DGF, which the Scheme was invested in during the year, is in line with the average of similar DGFs. ESG based decision making is also more challenging for the balance of the Scheme's assets invested in corporate bonds and government debt based funds as these investments do not have voting rights (as is the case with equities for example). Again, the Investment Consultant's ESG ratings for these funds are in line with or better than the ESG ratings of similar funds.
- When selecting a new investment manager the Trustee takes into account the ESG ratings of the prospective managers. The investment performance report from each manager includes how they are delivering against their specific mandates.
- The investment managers have provided the following examples of engagement activity over the year.
    - The Scheme's investment managers engaged with companies over the year on a wide range of different issues including Environmental, Social and Governance factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy. The Scheme's managers provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in positive outcomes. These engagement initiatives are driven mainly through regular engagement meetings with the companies in which the managers invest or by voting on key climate-related resolutions at companies' Annual General Meetings. The resolutions are often co-filed by a number of investors who indicate their support for (or against) the resolution to the company's management.
    - Examples where the Scheme's managers had engaged with companies they were invested in/about to invest in which resulted in a positive outcome are as follows:

        - BlackRock:

          Over the year BlackRock's engagement priorities were to engage with companies with long experience engaging with companies on board quality and effectiveness; strategy, purpose, and financial resilience ; incentives aligned with financial value creation ; climate and natural capital; and company impacts on people. For example, following an AGM, BlackRock engaged with Grupo México to encourage the company to allow shareholders to elect each director individually, rather than under a single ballot item, as this allows investors to make more informed vote decisions on the relevant directors' responsibilities for specific risk oversight. The bundled director election received majority support from shareholders at the April 2022 AGM. BlackRock will continue to engage Grupo México to share their concerns, and to encourage the company to enhance their disclosures in alignment with shareholders' long term interests.

        - M&G:

          M&G have engaged with Samsung electronics over the year to ask the company to announce its net zero target for 2050 or sooner, with shorter term targets to 2030, with both to be validated by the Science Based Target initiative (SBTi) with a clear decarbonisation strategy. Samsung electronics explained that it was finalising its environmental investment strategy and was aligning it with international standards, as well as with the new incoming government. However, the company said that at this point it would be challenging to commit to SBTi approval. After reviewing the company's environmental investment strategy M&G have said they will continue to engage.

- Mercer:

  LGIM, which is a manger within the Tailored Credit Fund I, which the Scheme invests in, were able to demonstrate that they are continuing to focus on their ESG initiatives. This can be seen through their engagement with Shell. LGIM engaged with Shell through face-to-face meetings to discuss climate change and as a result are continuing to engage with investee companies, publicly advocate their position on this issue and monitor progress.

  In addition to the above, LGIM, were also able to demonstrate that they are continuing to focus on their human rights initiatives. This can be seen through LGIM's engagement with Wells Fargo. Wells Fargo is included on LGIM's World Protection List because the company has been considered in violation of Principle 10 (Business Ethics) of the UN Global Compact ('UNGC') for at least three continuous years. The initial objective of the engagement was to help the company take necessary steps to avoid being in violation of the UNGC, and to explain what LGIM's minimum expectations are. In April 2019, LGIM explained to Wells Fargo the risk of being included on LGIM's Future World Protection List ('FWPL') and why; i.e. at the time, they had been identified as a violator of the UNGC by LGIM's ESG data provider for two years running, with the possibility for FWPL exclusion at three years. LGIM shared some key feedback from the ESG data provider on what would need to be done to remove this classification. If companies are included in this list then securities that are issued by such companies will not be held in funds that apply the FWPL. This LGIM example shows that while inclusion on the FWPL means divestment for certain mandates, they retain holdings in other funds, of which they use the associated rights/position to engage with the companies and push for better practices.

  LGIM continue to engage with the company to explain what their expectations are and what their ongoing concerns are for the company; under the 'Human Capital' element of LGIM's ESG score, business ethics is a component, and is still flagged as one area (among others) where Wells Fargo falls below LGIM's minimum standards. LGIM continues to vote at Wells Fargo's AGMs in accordance with LGIM's relevant policies and principles; accordingly, at Wells Fargo's 2022 AGM, LGIM voted against the Chair of the Remuneration Committee on account of LGIM's ongoing concerns, particularly around the alignment between pay and performance, and also against the ratification of named executive officers' compensation. LGIM supported shareholder proposals calling for reports on human rights and diversity-related topics. LGIM also supported a resolution requesting a report on incentive-based compensation and risks of material losses, as LGIM believes that shareholders would benefit from additional disclosure surrounding broad-based incentive compensation programs that could lead to material losses due to excessive risk taking, given that such structures played a key role in recent high-profile controversies that caused financial and reputational harm at the company.

2. Voting Activity

The Trustee has delegated their voting rights to the investment managers and does not use the direct services of a proxy voter.

Investment managers are expected to provide a voting summary report on a regular basis, at least annually. This summary reporting highlights key voting activity and the impact on the portfolio.

When the investment managers are invited to present to the Trustee at Trustee board meetings, the Trustee will ask the investment managers to highlight key voting activity and the impact on the portfolio.

The Trustee has classified 'significant votes' as votes which are broadly in line with the sustainability goals of the sponsoring employer 'Vertu Motors plc'. These goals are to provide increasingly sustainable choices for customers, reduce the environmental impact, and care for colleagues and support communities. As such, the Trustees are taking votes which the Trustee constitutes as significant to be relating to sustainability, environmental impact management and Social Risks and Opportunities, given that these are all topics which relate to these goals and ones which managers regularly vote on.

Over the last 12 months, the key voting activity on behalf of the Trustee is as follows:

- BlackRock – Dynamic Diversified Growth Fund ('DDGF') - Active

Investment Manager	Total votable Meetings	Total votable proposals	Participation rate for votable proposals	% of votes against management	% of votes abstained
BlackRock - DGF	893	11,775	93.0%	4.8%	1.3%

Source: BlackRock. Due to data availability from BlackRock, this data covers the period from 01/04/2022 to 31/03/2023.

- Examples of votes which the Trustee constitutes as significant are summarised below:
  - Amazon.com Inc. – In May 2022, BlackRock voted for a shareholder proposal to report on efforts to reduce plastic use. This is because shareholders would benefit from more information on the company's approach to reducing plastic waste arising from their products and services. While BlackRock believe that the company's goals in relation to plastic recycling are clear, Amazon does not explicitly disclose the total amount of plastic used; therefore, it is difficult for stakeholders to determine how effectively the company is managing this material risk and their progress year over year. As a result, BlackRock supported this shareholder proposal, as they believe it is in the best economic interests of their clients for Amazon to enhance their disclosure on this material long-term business risk. The Trustee constitutes this as a significant vote as it relates to sustainability and environmental impact management, as per their definition noted above.
  - Amazon.com Inc. – In May 2022, BlackRock voted for the commission of a Third-Party Audit on Working Conditions. Currently, Amazon discloses U.S. federal lobbying activities on a quarterly basis. While BlackRock appreciates the level of reporting already provided by Amazon, they believe that the information remains challenging for stakeholders to readily assess. Amazon does not post the disclosure directly to their website – stakeholders are redirected to a federal government site to access the information – and it is cumbersome to gather the data as currently presented. As a result, BlackRock supported this shareholder proposal as, in their view, enhanced disclosure of political activities would aid understanding of Amazon's approach to this business risk, which is aligned with the economic interests of BlackRock's clients. The Trustee constitutes

this as a significant vote as it relates to Social Risks and Opportunities, as per their definition noted above.

- Woodside petroleum – In May 2022, BlackRock voted for a management proposal to approve a climate report. BlackRock supported the approval of the company's "Climate Report 2021" outlining the climate risk and transition strategy. The report incorporates shareholder feedback, including BlackRock's, and provides long-term investors insight into the company's actions to date and plans to become net zero by 2050 or sooner, thereby allowing investors to analyze how management intends to deliver long-term financial performance through the energy transition. BlackRock have encouraged the company to continue engaging with shareholders, and other key stakeholders, to inform about management's progress against their stated targets, and to assess adapting the plan as needed. The Trustee constitutes this as a significant vote as it relates to sustainability and environmental impact management, as per their definition noted above.

- Over the prior 12 months, the Trustee has not actively challenged the manager on its voting activity.

- M&G – Illiquid Credit Opportunities Fund VII – Active

  - The fund holds no equity investments so therefore voting is not available in the underlying investments.

- Mercer – Liability Hedging Portfolio – Passive and Mercer - Tailored Credit Fund – Active

  - The funds hold no equity investments so therefore voting is not available in the underlying investments.