

BCA Automotive Pension Scheme Implementation Statement for the year ended 5 April 2020 for the DB and GMP Underpin Sections

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the BCA Automotive Pension Scheme (“the Scheme”) have followed the policies documented in their Statement of Investment Principles (“SIP”) during the year ended 5 April 2020 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year. This statement relates to the defined benefit (“DB”) and GMP Underpin sections of the Scheme. A separate implementation statement has been produced for the defined contribution (“DC”) section of the Scheme.

Latest review of the Statement of Investment Principles

During the reporting year, the Scheme’s SIP was reviewed and amended from September 2019. This review was initiated by new regulatory requirements for the Trustees to update the SIP to explain how they account for stewardship and financially material considerations including, but not limited to, environmental, social and governance (ESG) issues.

The previous version of the SIP was relevant during the first part of the reporting year.

Investment-related activity during the reporting year

Trustee training

Over the course of the reporting year, the Trustees received training on the following investment topics:

- Update of current themes in relation to ESG;
- New requirements for the Trustees to set strategic objectives for their investment advisor;
- The new disclosure requirements for the Trustees to produce an implementation statement from October 2020.

CMA Objectives

Objectives were put in place for XPS in line with the 10 June 2019 CMA Order which required the Trustees to set objectives for existing and new investment consultant appointments from 10 December 2019, in order to receive investment advice after that date.

Asset allocation/fund reviews

In understanding that asset allocation plays an important role in achieving investment objectives, the Trustees regularly monitor the asset allocation of the Scheme to ensure that this is in line with their current investment objectives.

During the reporting year, XPS highlighted to the Trustees that one of the funds in which the sections invest had underperformed its stated objectives over the year and 3 years to 30 September 2019. However, XPS advised the Trustees that the fund remains highly rated by XPS and no changes were recommended, but performance will continue to be monitored by the Trustees.

New policies

The following new policy was introduced during the reporting period and aims to summarise the Trustees’ view on ESG issues:

The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing

monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

The Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

The Trustees' investment policies

The Trustees had various investment policies for the Scheme on the topics listed in the table below; the table also provides commentary on how and the extent to which the various policies were followed during the reporting year.

Policy	How the policy was followed ¹	The extent to which the policy was followed ²
<p>Kinds of investments to be held</p> <p>The Trustees' primary investment objective is to achieve an overall rate of return that provides a high probability that sufficient resources will be available to meet all liabilities as they fall due.</p>	<p>The range of investment funds held include equities, multi asset, gilts, bonds and cash, with the allocations decided to help meet the objectives.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>
<p>Rebalancing</p> <p>The Trustees, in conjunction with the Advisers, will monitor the actual asset allocation of the DB and GMP Underpin Sections on an annual basis via the governance report. If the allocation moves further than +/- 10% from the strategic allocation, the Trustees will decide whether to switch the assets back to the strategy following consideration of advice.</p>	<p>The allocations in the governance report were well within the range.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>
<p>Risks (measurement and management)</p> <p>The Trustees have a number of policies in respect of risk management and measurement.</p>	<p>The Trustees mitigate some of the risks by investing in pooled funds and diversification. They also monitor performance and review the asset allocation policy periodically.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>

<p>Expected return</p> <p>The Trustees' policy for the DB section is to invest in government bonds in respect of pensioner liabilities and the remainder in equities and other appropriate assets with a view to achieving longer term growth at an acceptable level of risk.</p> <p>For the GMP underpin section, the strategy is to invest in a mixture of on-risk assets (including equities) and then an increasing allocation to off-risk assets (gilts, bonds and cash) as members approach retirement.</p>	<p>No changes were made to the strategic allocations of either section during the reporting period.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>
<p>ESG</p> <p>The Trustees' policy is to delegate the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers.</p>	<p>The investment managers have responsibility for the ongoing monitoring and management of ESG risks and those related to climate change.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>
<p>Non-financial matters</p> <p>The Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.</p>	<p>No decisions were required in this area in the reporting period.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>
<p>Voting rights</p> <p>The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.</p>	<p>The underlying investment managers engage with investee companies and the extent to which they vote on financially material matters.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>
<p>Stewardship/relationship with managers</p> <p>The Trustees' policy is to encourage investment managers to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.</p>	<p>The underlying investment managers engage with investee companies and the extent to which they vote on financially material matters.</p>	<p>The Trustees are satisfied that they have followed the policy over the reporting period.</p>

The Trustees conclude that the policies detailed in the relevant Statement(s) of Investment Principles have been followed during the reporting year.

Voting

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

The Scheme invests via the Aviva platform and, in turn, various underlying investment managers. The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to public equities in UK and overseas markets. Investments in equities will also form part of the strategy for the diversified growth funds in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the investment manager organisations for the relevant funds is shown below. This wording has been supplied by the underlying investment managers: the use of possessive pronouns such as “us” and “our” refer to the investment manager and not the Trustees.

Manager A – BlackRock Investment Management

Despite efforts to obtain data on significant voting behaviour carried out by BlackRock Investment Management during the reporting year, no such data had been provided at the time of issuing this statement. XPS will continue to ask for this data and will make it available to the Trustees as and when it is made available.

Manager B – Legal and General Investment Management

Voting Information
Legal and General Investment Management Diversified Fund
The fund manager has not provided stewardship code data at present
The manager voted on 97.2% of resolutions of which they were eligible out of 83533 eligible votes.

Investment Manager Client Consultation Policy on Voting

LGIM’s voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant 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. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). 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 we note a significant increase in requests from clients on a particular vote;
 - Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We will provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

If you have any additional questions on specific votes, please note that we publicly disclose our votes for the major markets on our website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting 'Voting Report' on the following page:

http://documentlibrary.lgim.com/litlibrary/lglibrary_463150.html?req=internal

Does the manager utilise a Proxy Voting System? If so, please detail.

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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
BP PLC	Resolution 22 - Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures.	For	99.1% support
LGIM continues to engage with the company and monitor progress.			
BAYER AG	Res 2 - Approve Discharge of Management Board for Fiscal 2018	Against	44.5% for; 55.5% against
The company subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. We will continue to pay close attention to the litigation and any possible settlements, as well as the decisions of Bayer's remuneration committee. The company also announced that the chair would step down at the 2020 AGM.			
ESSILORLUXOTTICA	Res A, B and C: Elect Wendy Evrard Lane as Director; Elect Jesper Brandgaard as Director; Elect Peter James Montagnon as Director	For	Res A: 43.7% support; Res B: 34.1% support
Before the AGM was due to take place, the company's board announced that it had reached a governance agreement and all disputes had been resolved. EssilorLuxottica's CEOs had been tasked with focusing on the integration process and to accelerate the simplification of the company. The board confirmed that neither CEO would seek to become the leader of the combined entity. The board nominees received significant support from the company's independent shareholders, equalling			

<p>respectively 43.7% and 35% of the total votes. We continue to engage with the company for the benefit of our clients.</p>			
<p>HYUNDAI MOBIS</p>	<p>Resolution 5.2 - Elect Karl-Thomas Neumann as a Member of Audit Committee Resolution 5.4 - Elect Rudolph William C. Von Meister a Member of Audit Committee</p>	<p>For</p>	<p>Both resolutions were defeated. Detailed meeting results are not available for this meeting.</p>
<p>Elliott Management's proposals were defeated at both companies' AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders.</p>			
<p>HYUNDAI MOTOR</p>	<p>Resolution 4.3 - Elect John Y. Liu as a Member of Audit Committee Resolution 4.4 - Elect Robert Randall MacEwen as a Member of Audit Committee Resolution 4.5 - Elect Margaret S. Bilson as a Member of Audit Committee</p>	<p>For</p>	<p>All three resolutions were defeated. Detailed meeting results are not available for this meeting.</p>
<p>Elliott Management's proposals were defeated at both companies' AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders.</p>			

Manager C – Schroders Investment Management

Fund Information

Schroders Diversified Growth Fund

The fund currently occupies Tier 1 of the stewardship code.

The manager voted on 100% of resolutions of which they were eligible out of 6 eligible votes.

Investment Manager Client Consultation Policy on Voting

In determining how to vote, Schroders will apply the voting policy set out in our ESG policy (<https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf>).

In applying the policy, we consider a range of factors, including the circumstances of each company, performance, governance, strategy and personnel. We may also take advice from third parties, including our provider of voting services (at present ISS).

When voting we always act in the best interests of our clients. Local offices may determine a policy regarding the securities which are voted on, subject to agreement with clients as appropriate, considering local market issues.

All voting is overseen by investment professionals (including portfolio managers) and is undertaken to enhance returns for clients.

Investment Manager Process to determine how to Vote

As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking).

We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy.

The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we are not afraid to vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, applying our voting policy and guidelines (as outlined in our Environmental, Social and Governance Policy) to each agenda item. In applying the policy, we consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy, and the local corporate governance code. Our specialists will draw on external research, such as the Investment Association’s Institutional Voting Information Services and ISS, and public reporting. Our own research is also integral to our process; this will be conducted by

both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

In 2019, we voted on approximately 99% of total resolutions, and instructed a vote against management at 47% of meetings. In total, we voted on 5,876 meetings.

How does this manager determine what constitutes a 'Significant' Vote?

We determine the most significant votes as those against management. We are not afraid to oppose management if we believe that doing so is in the best interests of shareholders and our clients. For example, if we believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and we will inform the company of our intention to vote against before the meeting, along with our rationale. Where there have been ongoing and significant areas of concerns with a company's performance we may choose to vote against individuals on the board.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
No resolutions were considered significant for this fund.	0	0	0

Signed: _____, Chair of Trustees

Date: _____