

# Implementation Statement

## Bouygues E&S UK Defined Benefits Pension Scheme

### Implementation Statement Year ending 5 April 2023

#### Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Bouygues E&S UK Defined Benefit Pension Scheme
Scheme Year	6 April 2022 to 5 April 2023
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

#### Introduction

This Implementation Statement reports on the extent to which, over the Scheme Year, the Trustees have followed their policy relating to the exercise of rights (including voting rights) attaching to the Scheme's investments. In addition, the Implementation Statement summarises the voting behaviour of the Scheme's investment managers and includes details of the most significant votes cast and the use of the services of proxy voting advisers.

In preparing this statement, the Trustees have considered guidance from the Department for Work & Pensions which was updated on 17 June 2022.

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### Relevant Investment

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- BNY Mellon Real Return Fund\*
- LGIM Future World Multi-Asset Fund

\*We have included analysis of the voting records of Newton as the manager of the underlying equities in the BNY Mellon Real Return Fund.

### The Trustees' Policy Relating to the Exercise of Rights

#### Summary of the Policy

The Trustees' policy in relation to the exercise of rights (including voting rights) attaching to the investments is set out in the SIP. A summary of this wording is as follows:

- The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole and the Trustees wish to encourage best practice in terms of stewardship.
- The Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters.
- When selecting a pooled fund, the Trustees consider, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustees (in conjunction with their Investment Adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustees will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies, the Trustees may look to replace that fund. However, in the first instance, the Trustees would normally expect their Investment Adviser to raise the Trustees' concerns with the investment manager.

#### Has the Policy Been Followed During the Scheme Year?

The Trustees' opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustees' belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.

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- During the Scheme Year, the Trustees introduced an allocation to the LGIM All Stocks Index-Linked Gilts Index Fund. The Trustees considered the ESG characteristics of the fund before selecting it but, because the fund does not include an allocation to equities consideration of the exercise of voting rights was not relevant.
- During the Scheme Year, the Trustees considered the voting records of the investment managers over the period ending 31 March 2022.
- Since the end of the Scheme Year, an updated analysis of the voting records of the investment managers based on the period ending 31 March 2023\* has been undertaken as part of the work required to prepare this Implementation Statement. A summary of the key findings from that analysis is provided below.
- All of the investment managers used by the Scheme are UNPRI signatories.

*\*Note the voting analysis was over the year ending 31 March 2023 because this was the most recent data available at the time of preparing this statement. The Trustees are satisfied that the analysis provides a fair representation of the investment managers' voting approach over the Scheme Year.*

### The Investment Managers' Voting Records

A summary of the investment managers' voting records is shown in the table below.

Investment Manager	Number of votes	Split of votes:		
		For	Against / withheld	Did not vote/ abstained
<b>Newton</b>	31,000	82%	16%	2%
<b>LGIM</b>	150,000	76%	23%	1%

#### Notes

*These voting statistics are based on each manager's full voting record over the 12 months to 31 March 2023 rather than votes related solely to the funds held by the Scheme.*

### Use of Proxy Voting Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
<b>Newton</b>	ISS	Only used in the case of a conflict of interest
<b>LGIM</b>	ISS and IVIS	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

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### The Investment Managers' Voting Behaviour

The Trustees have reviewed the voting behaviour of the investment managers by considering the following:

- broad statistics of their voting records such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management");
- the votes they cast in the year to 31 March 2023 on the most contested proposals in nine categories across the UK, the US and Europe;
- the investment managers' policies and statements on the subjects of stewardship, corporate governance and voting.

The Trustees have also compared the voting behaviour of the investment managers with their peers over the same period.

Further details of the approach adopted by the Trustees for assessing voting behaviour are provided in the Appendix.

The Trustees' key observations are set out below.

### Voting in Significant Votes

Based on information provided by the Trustees' Investment Adviser, the Trustees have identified significant votes in nine separate categories. The Trustees consider votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the nine categories based on shares held by the Scheme's investment managers are listed in the Appendix. In addition, the Trustees considered each investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

### Analysis of Voting Behaviour

#### LGIM

The manager's willingness to vote against management is consistent with the broad range of policies covered within its corporate governance documentation; each policy provides a set of criteria which can be used to justify a vote against management.

It should also be noted that LGIM has supported shareholder proposals designed to tackle ESG issues and has held directors to account regarding their energy transition proposals (proposals setting out how greenhouse gas emissions will be reduced).

The Trustees have no concerns regarding LGIM's voting record.

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### Newton (Fund manager of the BNY Mellon Real Return Fund)

From the director proposals which have been analysed, Newton has demonstrated a willingness to vote against management on a broad range of issues. They have taken a particularly strong stance on executive pay.

Newton has also shown a willingness to use its voting rights to support shareholders bringing proposals, including votes related to ESG issues.

The Trustees have no concerns regarding Newton's voting record.

## Conclusion

Based on the analysis undertaken, the Trustees have no material concerns regarding the voting records of LGIM or Newton.

The Trustees will keep the voting actions of the investment managers under review.