BP Pension Fund

2022 Implementation Statement

About this statement

As Trustee of the BP Pension Fund (the 'Trustee'), we are required to publish an annual implementation statement which explains how we have implemented the policies set out in our Statement of Investment Principles (SIP).

This statement covers the reporting period from 1 January to 31 December 2022 and in line with the regulations, is included in our Annual Report and Financial Statements and is publicly available on our website, PensionLine. The statement only covers our defined benefits section since our defined contribution section has been transferred out of the Fund during 1H 2022.

1. Governance

The Trustee board carried out a detailed governance review, which concluded in mid-2022, and focused on ensuring that the core governance structures remained appropriate. The review ascertained that, whilst robust, the governance structure could be strengthened further by augmenting the committee structure to create a 'Rapid Response Committee' and a 'People & Governance Committee' which would have an expanded remit to the preceding committee from which they originated.

The formation of these committees has been helping to address the specific challenges in relation to evolving UK pensions governance and regulations more effectively, within their respective terms of reference.

The review also covered the Trustee board's governance principles, including its core objectives and key delegations, which were deemed appropriate subject to the changes above.

We have made significant progress on our responsible investment journey over the past few years, especially with respect to the analysis of the potential impacts of climate change on the Fund, and we continue to ensure that our policy documents reflect the new developments we have made.

We published our first **climate change report** for the Fund in July 2022, and later in the year we updated our responsible investment policy (RI Policy) and SIP in response to new regulatory obligations. In December 2022 we published our net zero ambition statement, which is now incorporated into our climate change policy. The Trustee board approved the amended RI Policy and SIP in January 2023 and both documents are available on **PensionLine**.

2. Investment strategy and risk

Investment strategy

Our long-term investment objective for the Fund is to be invested in assets that achieve sufficient returns to allow the Trustee to meet its pension liabilities as they fall due. This can be achieved by investing a proportion of our Fund's assets in a manner that is expected to, over the long-term, grow by more than the value of those pension liabilities. Our investments are diversified by assets class, geography, sectors, liquidity and across our managers to help us to achieve our overall risk-adjusted return objective.

Our strategy has led to a significant funding level improvement in recent years which led to a continued reduction in the Fund's exposure to 'growth' assets during 2022. The remaining portion of the Fund's assets are invested in less volatile investments that seek to closely match the Fund's liabilities.

Investment risk

The Trustee uses an investment risk return framework to monitor the ongoing risk and performance of the investment strategy. The investment strategy, agreed between the Trustee and bp, targets an expected return over the liabilities (currently valued by reference to gilt yields), within an agreed 'risk budget' and with the primary objective of maintaining an asset surplus against the liabilities.

The Trustee seeks to ensure that the investment strategy remains within its risk budget and that the level of risk is consistent with the funding level and the expected return targeted, given its view of bp's covenant strength. The investment risk return framework (and the risk metrics being used in the framework) is reviewed and updated as the investment objectives of the chosen investment strategy evolve over time, to ensure it is fit for purpose.

The Trustee board currently monitors strategic risks, and its Audit and Risk Committee monitors operational controls and compliance risks. We share our policies, as set out in this SIP, with our investment managers, and request that they review and confirm whether their approach is in alignment with our policies, where relevant.

Listed equities – passive mandate benchmark update

In 2022 we implemented an enhancement to the passive portion of our listed equities portfolio, moving from a standard market-cap weighted global index to a new customised global index. This initiative was driven by two objectives:

- To develop a passively implemented solution that benefits from an index construction methodology that seeks to deliver attractive risk characteristics, such as reduced volatility and drawdowns, when compared to a standard market-cap weighted index.
- To incorporate environmental, social, and governance (ESG) data, including specific Greenhouse Gas (GHG) emissions measures, to create a customised index that systematically reflects ESG, including climate risks and opportunities in its construction methodology.

The methodology achieves its goals by using a portfolio optimiser with the objective of minimising volatility subject to various constraints, including the requirement for a 10% ESG score premium and a carbon emissions requirement to be better or in-line with the parent index.

The resulting passive portfolio is expected to have improved risk characteristics and, in addition, be better placed to capture the opportunities presented by the transition towards a low-carbon economy in line with the goals of the Paris Agreement. We believe that the ESG perspectives incorporated into the customised index construction methodology are relevant to both expectations.

A further rationale for the customised solution is the ability to adapt what we do in the future which is likely to be valuable from an ESG and carbon reduction perspective.

3. Selecting and monitoring our asset managers

During 2022, there were no new manager appointments. As a result of a strategic asset allocation decision to reduce the Fund's exposure to emerging markets, we terminated one of our emerging market debt managers, with full closure of the portfolio completed in July 2022.

We invest in certain unitised and with-profit funds based on members' choices in respect of legacy money purchase additional voluntary contributions. We reviewed the range of funds offered in 2022 to ensure they remained fit for purpose.

We have a quarterly process in place for monitoring each of our asset managers, which includes meetings held to discuss investment performance and responsible investment matters. The asset managers' fees, as well as portfolio turnover and transactions costs, are compared with similar market benchmarks to ensure that they remain reasonable. Our view was that these costs were within reasonable expectations during the period of this report.

4. Responsible investment

Our investment principles underpin our investment objectives, and they reflect our beliefs about governance and support our integrated risk-management process and our responsible investment framework.

Our RI policy, referenced within the SIP, outlines our RI principles, which recognise that material ESG risks have the potential to affect the value of investments. We hold ourselves and our managers to account for managing material ESG risks, and we take measures to monitor and mitigate these risks.

As signatories to the Principles of Responsible Investment (PRI), we adopted and implemented our RI principles where this was consistent with our fiduciary duties. Part of our commitment also includes evaluating the effectiveness and improving the content of these principles over time. We believe this will improve our ability to meet commitments to our members while improving and aligning our investment activities with the broader interests of society. We comply with the PRI's reporting requirements and can access resources and collaborate with other investors.

Holding our managers to account

One of the ways we effectively manage stewardship and ESG risks includes dedicated monitoring of, and engagement with, our asset managers as a means of driving change with the aim of improving long-term, risk-adjusted returns. By expecting our asset managers to invest in line with our RI policy, we hold them all to a certain standard. Our asset manager monitoring approach is consistent for all asset managers, including BP Investment Management Limited, our internal asset manager, and comprises the following:

- **Encouraging strong stewardship standards and sharing constructive feedback**
  We require our asset managers to have regard to the updated 2020 UK Stewardship Code principles where possible, or an international equivalent if applicable. We have been actively encouraging some of our asset managers to become signatories where practical, and monitoring which of our asset managers have attained this status.
- **Monitoring stewardship activities on a quarterly basis**
  We hold quarterly investment review meetings with our asset managers to discuss their investment performance and receive updates including those relating to business or personnel developments. We include stewardship as a standing agenda item during those meetings and require asset managers to include a stewardship update in their quarterly reports, including participation in stewardship-related initiatives. All quarterly meetings are attended by representatives from both the asset manager oversight and responsible investment teams.
- **Monitoring stewardship activities in depth on an annual basis**
  In order to gain a comprehensive understanding of each asset manager's stewardship and responsible investment policies, processes, and level of implementation, we hold annual responsible investment review meetings with all of our asset managers.
  These meetings form an important part of our asset manager monitoring governance process, covering each asset manager's investment and stewardship activities over the prior year. We place more emphasis on examples our asset managers can provide to demonstrate the consistent integration of ESG factors into their respective investment decision-making processes and how effective they have been in engaging for change with investee companies or issuers. Through these meetings we try to ensure there continues to be progress in ESG factors integration, stewardship, and engagement activities across all asset classes and mandates to the extent possible.
- **Sharing constructive feedback on an ongoing basis**
  As a result of our focused interactions with our managers, we have established an open and honest dialogue which allows us to share and receive constructive feedback. The recent improvements we made to our annual and quarterly monitoring processes have resulted in stronger collaborative relationships with our managers, and this has allowed us to influence positive stewardship practices more actively where we have seen potential to do so.

Summary from 2022 annual responsible investment review meetings

Through the annual RI meetings, we try to ensure there continues to be progress in ESG integration, stewardship, and engagement activities across all asset classes and mandates to the extent possible.

Over the course of 2022, we made further improvements to our manager monitoring, engagement, and reporting processes. The consideration of ESG factors within the investment process remain a significant requirement in our asset manager selection and monitoring processes. We request comprehensive reporting from our managers, including engagement examples pertaining to our stewardship themes, and hold meetings dedicated to strengthening our understanding of practical RI application.

The following table provides a high-level summary of key assessment criteria and findings during meetings covering our asset managers' activities in 2022.

Key criteria	Assessment
Compliance with our RI Policy	All asset managers demonstrated their compliance with our RI policy and evidenced having in place their own policies specifically relating to responsible investment, sustainability and/or stewardship.
ESG Integration	Most asset managers integrate ESG into their investment process in a systematic manner, and they use well established frameworks to identify industry specific ESG factors. Some asset managers are yet to fully demonstrate examples where ESG considerations have contributed towards investment decisions being made.
Engagement	All asset managers continued to engage with companies and issuers in relation to our three priority stewardship themes. The examples provided by the asset managers varied in quality and could be improved by providing more examples of engagements for change.
Reporting	In general, most asset managers made a concerted effort to provide comprehensive responses to our reporting template.

5. Stewardship

Understanding we have an active role to play in the stewardship process, where possible, we have used our influence as an asset owner, to encourage responsible long-term behaviour through our voting policy and our asset managers' compliance with our RI policy. In general, we prefer engagement over exclusion as a way of improving long-term behaviour and align our stewardship activities with the UK Stewardship Code principles.

The prioritisation of our three key stewardship themes of climate change, human rights, and board effectiveness, supports us in effectively monitoring the progress and consistency of implementation across our managers and asset classes on these issues. Our annual responsible investment monitoring framework includes both quantitative and qualitative elements to help monitor our managers' level of engagement and impact for each of these priority themes. This does not preclude us from engaging on other ESG themes or issues raised through the course of monitoring our managers and the annual company shareholder resolution process.

We discuss quarterly with our managers their engagement activities and the resulting outcomes. The key focus areas we monitor across our managers include:

- whether our managers have formal processes in place for identifying, prioritising, and tracking engagements and statistics in relation to engagements for change
- our managers' collaborations with other entities and participation in stewardship initiatives
- engagement case studies in relation to each of our priority themes (we have highlighted some examples in **Appendix 1** of this document)

Overall, we observed satisfactory progress made by our managers in their ESG integration and stewardship efforts. We will continue to discuss with our managers their continued development of good stewardship practices and the incorporation of our three stewardship priorities in the most effective manner possible.

Implementation of our stewardship priorities

In addition to holding our managers to account on integrating our stewardship priorities, we actively work on ways to address issues related to those themes via our own actions.

- The global financial crisis, numerous corporate scandals, and board responses to the global pandemic (Covid-19), have highlighted the need for board members who can actively oversee almost all aspects of an enterprise's operations. **Board effectiveness** underpins most companies' successful response to concerns around ESG factors. We are conscious that different standards apply in different jurisdictions and between asset classes, so we encourage our managers to engage with investee companies to apply best practices and where it's available, seek adherence to their local stewardship code guidelines or refer to the International Corporate Governance Network (ICGN) guidelines.
- The Fund's investments include companies or issuers with complex global supply chains. Our managers understand the emphasis we place on ensuring these companies and issuers are diligently monitored and challenged on their potential exposure to **human rights** violations. In recent years, we have placed particular emphasis on our managers' actions towards prevention of modern slavery and child labour, and the promotion of a fair living wage within companies we are invested in.

- We continue to enhance the Fund's approach to climate-related risks and opportunities. In July 2022 we published our first climate change report aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and in December 2022, we issued the Fund's net zero ambition statement. Both documents are publicly available on PensionLine. To support delivery of our net zero ambition, collaborate with other investors on **climate change** related risks and opportunities and help drive significant and real progress towards a resilient net zero future, we recently joined the Institutional Investors Group on Climate Change (IIGCC).

Collaborative Engagement

We maintain an attitude of continuous improvement and have sought to expand our collaborative engagement efforts through the considered selection of suitable RI initiatives. In 2022, we became members of the following organisations:

- The Occupational Pensions Stewardship Council (OPSC), which provides us a platform to discuss various matters and exchange best practices with other UK pension schemes, as well as direct access to regulatory entities, and various relevant resources. At present we participate in two work strands: Climate Change and Private Markets.
- The Institutional Investors Group on Climate Change (IIGCC) which gives us access to multiple resources, and experts on climate change, and fosters collaborative discussions which we leverage in the delivery of our net zero ambition.

6. Voting

Another key lever we use to influence investee companies is through shareholder voting. By investing via segregated mandates across all our listed equity portfolios, we retained the right to directly exercise the voting rights attached to our holdings. Where possible, we use voting rights to encourage responsible long-term behaviour by the companies in which we invest. We view voting as an important investor right which allows us to express our position on critical issues (e.g. topics related to our engagement stewardship priorities).

We approach voting through a systematic and rigorous process which encompasses research and vote recommendations provided by our proxy voting adviser, Institutional Shareholder Services (ISS), and our passive equity external asset manager, LGIM. We also consider views from our other asset managers, who can often provide an insightful perspective gained through direct engagement with companies included in our portfolios. We vote in the best interests of the Fund's members, in alignment with our RI policy, and apply judgement when considering whether to follow LGIM, ISS or our asset managers' recommendations. A summary of voting statistics and examples of significant votes over the reporting period is included in the **Appendix 2** of this document.

The Fund's allocation to listed equities has significantly decreased in recent years due to de-risking. As a result of the benchmark update for the passive portion of our listed equities portfolio, the number of stocks decreased from c.2100 to c.400, which means that with a reduced universe of companies in the equity portfolio, we have fewer opportunities to deliver change in any given year. Engagement has become even more important for us, and we have therefore persistently encouraged our asset managers to deliver evidence of their meaningful and effective stewardship activities.

The decrease in allocation to listed equities has also led us to re-visit the rationale behind our stock lending programme. Having considered this issue in detail, including its impact on the voting process, we reached a decision in March 2023 to discontinue the stock lending process. Our intention is to cease all lending activities by the end of 2Q 2023.

7. Members

The primary focus on the needs of the members is to provide the benefits to members and their dependents as set out in the Fund's Trust Deed and Rules. In addition to this primary focus, we have been working to develop and strengthen communications with our members and in 2022 we implemented the following changes:

- We provide access to important Fund documentation via a dedicated members' website, "PensionLine", and in 2022 we refreshed PensionLine to provide an improved member experience and better navigation.
- We have been implementing a new phone system with the aim to enhance member experience and ensure that members' queries are managed efficiently and there are no delays in their access to an administrator. The new functionality is being rolled out throughout 2023.
- We introduced member focus groups in 2022, to engage with a broad range of members to gain insights into their perspectives on a variety of topics. The topics we initially engaged on were the annual newsletter and PensionLine. We continue to discuss how we might best use the focus groups to gather feedback on our stewardship and responsible investment disclosures, so that we can continue to improve their accessibility to readers.

In 2022 our key communications to members, referencing the Fund's responsible investment activities included the following:

- Our Annual Newsletter
- The Trustee's Annual Report and Financial Statements
- Our Annual Implementation Statement for 2021, which provides public details on our voting activities, engagement with our managers and their engagements with companies included in the Fund's investments
- Our Annual Climate Change Report
- Our Net Zero Ambition Statement

Summary

We are comfortable that the policies described in the SIP have been adequately followed during the reporting period. We will consider including more information in our future implementation statements, as appropriate and as industry guidelines and investment manager reporting in this area evolves.

Appendix 1: Engagement examples over the reporting period

The Fund's direct engagement

Most investment management functions have been outsourced to external asset managers. As such, apart from the property mandate, we do not directly engage with companies at present. We seek to influence corporate behaviours via our external asset managers, engaging with them on their stewardship approaches and the effectiveness of their engagement efforts. This allows us to exert indirect influence on a broader range of corporate issuers, even outside the scope of our direct holdings.

We provide examples below to illustrate some of the direct engagements we conducted over 2022.

Case study

Engaging with our data provider to improve their data update cycle

Context: We are required by regulations to report GHG emission metrics in our annual climate change report.

Action: As part of our overall emission metrics analysis, we conducted an exercise where we compared emissions data from our existing provider with data made available from other providers. We were surprised by the considerable number of instances (over 100 in an investment universe of around 3,000 companies or issuers) for which the new publicly available information was missing. We discussed with our provider the appropriateness of the existing data update cycle, and we referenced the frequency of updates that some other providers were applying.

Outcome: The provider updated its data refresh cycle, moving from annual to quarterly which allows for newly published information to be captured in a more timely manner. More frequent data refresh cycle improves data accuracy which then impacts the GHG emission metrics we disclose in our climate change report. We believe that, by having shared our findings and feedback to the provider, we contributed to this outcome.

Counterparty ESG risk assessment and engagement programme in LDI mandate

Context: Given the LDI mandate represents a substantial part of our asset allocation, we have a significant exposure to various counterparties included in our counterparty panel. We felt it was important to ensure that our LDI asset manager incorporated ESG considerations in selection and ongoing assessment of counterparties on our panel.

Action: Over the course of two years, we held discussions with the asset manager on strengthening their application of RI to the LDI asset class. As part of those discussions, we requested the asset manager to provide a comprehensive explanation of their internal ESG ratings methodology and explain how it was applied specifically to the LDI asset class. We also requested examples of instances where the ESG rating led to a suspension or removal of a counterparty from the counterparty panel.

Outcome: Our asset manager was very proactive in ensuring our requests were met and demonstrated satisfactory progress in ESG integration within the LDI asset class. They provided a thorough explanation of their internal ESG ratings methodology. Although we deemed their methodology to be robust, we noted that the ESG ratings were more credit-focused, primarily used for fundamental credit analysis. Through conversations with our asset manager, we concluded that supplementing the ESG ratings approach with a more formal, direct engagement programme with banks on the panel would provide a more comprehensive assessment which is focused on the material ESG issues for the counterparties included in the panel.

In early 2022, our asset manager made enhancements to its existing counterparty engagement processes, implementing a more formal programme that was reviewed and approved by the asset manager's CEO and CRO. The first iteration of the new programme focused on four sustainability themes (environmental factors, remuneration, diversity, and cyber/data breaches) and included a comprehensive benchmarking assessment. We have received multiple updates on the progress of the engagement but are yet to receive concrete findings and potential next steps. We expect to receive those over the course of 2023.

Our managers' direct engagement

We believe that constructive engagement drives positive value not only for the Fund's members, but for the environment and society as a whole. As such, we expect the Fund's managers to engage on an ongoing basis with companies, regulators, investors, and other stakeholders where this is deemed appropriate. This process enables a deeper understanding of the material issues affecting the managers' investments and enables our managers to use their influence to help bring about meaningful, targeted change.

As part of our annual responsible investment reporting, we request our managers to distinguish between engagements for change and engagement for information, and to outline their engagement plan, including objective, expected milestones, and escalation process if applicable, for each example they share with us.

Examples below illustrate some of the direct engagements by our managers conducted over 2022.

Case study

Improving social practices in the supply chain
Lead by GQG (active listed equity manager)

Context: One of our investee companies, a multinational food & drink conglomerate, has exposure to a wide range of commodities whose complex supply chain is often affected by violations of human and labour rights. Our asset manager was particularly concerned about the risk the company faced in its cocoa supply chain.

Action: Following allegations of labour abuses including forced child labour, the asset manager reached out to the company and sought a detailed account of how the risk of child labour was monitored, encouraging the company to prioritise the economic welfare of workers in its global supply chain. Regular due diligence processes often fail to capture violations at local level, especially for suppliers beyond the 2nd tier and of smaller scale like the cocoa-farming households.

Outcome: The company has made noteworthy progress in this regard with the launch of the Income Accelerator programme which aims to improve the livelihoods of cocoa-farming families, advance regenerative agriculture practices, and promote gender equality. The programme, which is in its preliminary stages, includes paying cash incentives directly to cocoa-farming households for certain activities and enrolling children in schools. Our asset manager continues to monitor the progress of this programme.

UK-based Housing Associations: Just transition for housing association
Led by Royal London Asset Management (UK corporate bonds manager)

Context: The transition to a greener economy requires changes that may have an adverse impact on workers with lower incomes or those employed in the fossil fuel industry. In general, their standard of living could be significantly reduced if decision-makers do not take the necessary steps to mitigate these risks. Our asset manager which has investments in UK-based Housing Associations (HAs), was concerned about whether existing decarbonisation plans to achieve net zero will support the continuation of meeting the needs of their residents.

Action: Our asset manager reached out to three HAs to better understand the challenges being faced and find out what support they could provide. Additionally, the asset manager engaged with other investors and assessed the potential impact from the UK Government policy.

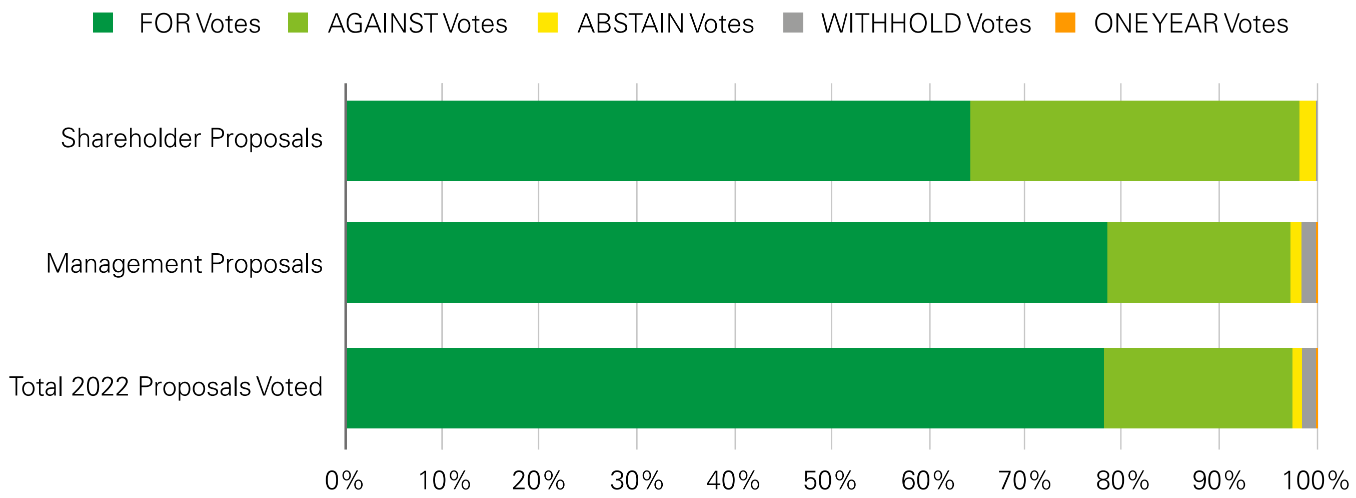
Outcome: One of the HAs is at the forefront of raising awareness of the solutions and best practice amongst other HAs, highlighting policy gaps to the UK Government and demonstrating a high level of care for residents. Their roadmap to Energy Performance Certificate (EPC) C by 2030 and Net Zero by 2050 (2045 in Scotland) is suitably planned out. The second HA achieved EPC C across all its properties in 2022, which is eight years ahead of the UK Government deadline. Starting six years ago, they estimated that the HA upgraded 4,000 properties from EPC D to C at a cost of approximately £140m. The third HA plans to achieve EPC C by 2030 supported by planned capex for the next five years. Regarding fuel poverty, the HA is taking a targeted approach by identifying the most vulnerable individuals struggling to pay the energy bills; this has been shown to be challenging due to a lack of data on the finances of its residents and the confidentiality of such information.

Appendix 2: Summary of voting behaviour and examples of significant votes over the reporting period

The tables below set out our voting statistics over the reporting period*. During the reporting period, from 1 January 2022 to 31 December 2022, we voted on 27,620 proposals, accounting for 99.2% of all votable proposals. We voted in favour of 21,578 (77.5%) resolutions, voted against 5,335 (19.2%) resolutions and, abstained, withheld, or voted on "one year" items for the balance.

We voted against management on 5,773 resolutions (20.7% of total). Of these, 5,335 (92.8.%) resolutions were management proposals; 121 related to climate change and 30 related to human rights, based on ISS categorisation.

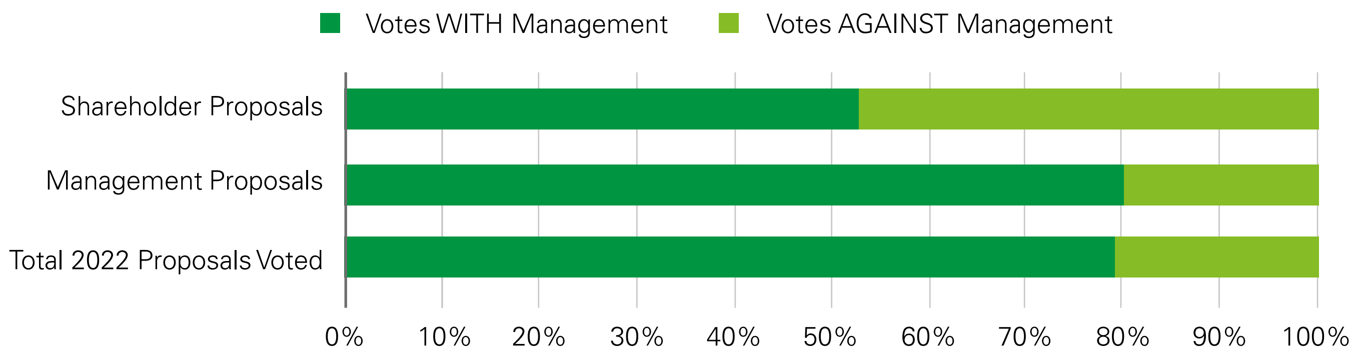
ISS Proxy Voting Statistics for 2022



	Total 2022 Proposals Voted	Management Proposals	Shareholder Proposals
FOR Votes	21,578	21,009	569
AGAINST Votes	5,335	5,036	299
ABSTAIN Votes	273	259	14
WITHHOLD Votes	419	418	1
ONE YEAR Votes	15	15	0

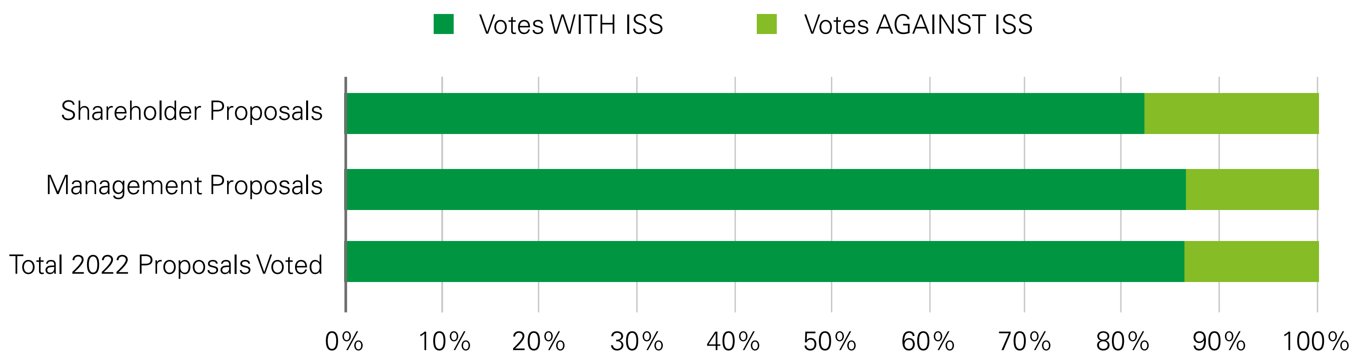
Visual 1: Summary of total proposals voted in 2022 based on ISS data.

*These statistics are our best estimates given the challenges and complexity of aggregating voting statistics data. When aggregating the statistics, we removed duplicate resolutions when a same company was held by two or more of our managers and removed the proxy cards on which we did not vote during proxy contests, non-votable proposals, and a legacy custodian account.



	Total 2022 Proposals Voted	Management Proposals	Shareholder Proposals
Votes WITH Management	21,847	21,382	465
Votes AGAINST Management	5,773	5,355	418

Visual 2: Summary of votes with and against Management based on ISS data.



	Total 2022 Proposals Voted	Management Proposals	Shareholder Proposals
Votes WITH ISS	23,799	23,074	725
Votes AGAINST ISS	3,821	3,663	158

Visual 3: Summary of votes with and against ISS based on ISS data.

Significant votes

We pay particularly close attention to votes that we deem to be significant. When determining which votes are considered significant, we assess several criteria including those outlined by the PLSA. Through a methodical filtering process allowing consistent treatment for companies which may be held in more than one mandate, we narrow down the votes that are to undergo further scrutiny, ultimately selecting those that make up the significant votes category.

In summary, votes with the following criteria (reviewed annually), are considered significant (it is worth noting that this list is not exhaustive, and it is possible that a theme, issue, or company that was not previously considered significant has risen up the agenda by the time voting decisions are taken):

- high-profile or controversial votes – this includes votes with a significant level of opposition from investors to a company resolution, a significant level of support for an investor resolution, or a level of media interest
- votes with potential financial implications – some votes may be considered to have a material impact on future company performance
- votes with a potential impact on a stewardship outcome
- votes relating to an identified conflict of interest with the Trustee's asset managers
- votes in non-listed equity asset classes.

In addition to votes fulfilling the criteria outlined above, we also consider as significant and pay substantial attention to votes pertaining to our stewardship priorities.

Case study

Examples of our significant votes on Climate Change

The Travelers Companies
The non-profit foundation As You Sow has put forward a shareholder resolution requesting the insurance company, The Travelers Companies, to report on efforts to measure, disclose and reduce GHG emissions associated with their underwriting activities. The resolution stated that Travelers lagged its peers on climate change as Travelers has not joined the Net Zero Insurance Alliance, does not measure, and disclose financed emissions, and has not adopted emissions targets that are aligned with the Paris Agreement goal of limiting warming to 1.5 degrees Celsius. In line with the Trustee's climate change theme, we voted in favour of this resolution to signal that Travelers should seek to further assess and manage climate risks from its underwriting, investment, and insurance activities. The management was against this proposal. This proposal passed, receiving 55.3% votes in favour, 43.7% votes against, and 1% abstentions.

JPMorgan Chase
The Sierra Club foundation has filed a proposal requesting JPMorgan Chase to issue a report that sets absolute targets for financed GHG emissions in accordance with the United Nations Environment Programme Finance Initiative (UNEP FI) recommendations to the G20 Sustainable Finance Working Group. We voted against this shareholder proposal as we observed that the bank has established financed emissions carbon intensity targets, which appear to be the industry standard according to ISS. We noted that the UNEP FI recommendations mention the absolute contraction approach as one of several approaches to measure and deploy portfolio emissions reductions. As such, we found this resolution to be too prescriptive. The management recommended to vote against this resolution. This proposal gathered 15.3% votes in favour of it, 83.1% against it, and 1.6% abstentions.

Examples of our significant votes on human rights

Meta Platforms
Shareholders put forward the resolution requesting the social media company, Meta Platforms (previously Facebook) to publish an independent third-party human rights impact assessment (HRIA), examining the actual and potential human rights impacts of Facebook's targeted advertising policies and practices throughout its business operations. The company has received intense media backlash over the use of its targeted advertising to discriminate against marginalised groups, according to ISS. We supported this proposal as it would enable shareholders to better assess Meta's management of risks related to its targeted advertising policies and practices. The management was against this proposal. The level of dissent against management was significant, with 23.8% of votes in favour of this resolution. The remaining votes, 76.2%, were against the resolution.

Apple

We voted in favour of the shareholder resolution requesting the company to prepare and publish a report on the extent to which Apple's policies and procedures effectively protect workers in its supply chain from forced labour, including the extent to which Apple has identified suppliers and sub-suppliers that are at significant risk for forced labour violations, the number of suppliers against which Apple has taken corrective action due to such violations, and the availability and use of grievance mechanisms to compensate affected workers.

The company provides extensive disclosures on its policies and procedures regarding how it aims to prevent forced labour in its supply chain, including several independent audits conducted, according to ISS. However, in June 2021, the Chairs of the Congressional-Executive Commission on China issued a statement saying that there was "mounting evidence" that Apple's supply chain was implicated in forced labour in China.

The management recommended voting against this resolution. The level of dissent against management was high, as 33.7% of votes supported this proposal. The remaining, 66.3% of votes, were against this resolution.

General Motors Company

The National Legal and Policy Center (NLPC) has submitted a proposal requesting that the company report on the extent to which its business plans with respect to electric vehicles may involve, rely, or depend on child labour outside the United States.

Cobalt is a metal currently used in most electric car batteries. According to Amnesty International more than half the world's cobalt comes from the Democratic Republic of Congo, where Amnesty has documented children and adults mining in perilous conditions. We voted in favour of this shareholder proposal as we wanted to encourage the company to provide additional information on its efforts to eliminate child labour from its supply chain.

The management was against this resolution. The level of dissent against management was significant, 23.5% of shares, split between 22% in favour of this resolution and 1.4% abstaining. The remaining votes, 76.5%, were against the resolution.

Examples of our significant votes on board effectiveness

Alphabet

Arjuna Capital has submitted a proposal requesting that Alphabet report on the company's steps to increase gender and racial board diversity, specifically to report on the company's policies and practices to help ensure its elected Board of Directors attains racial and gender representation that is better aligned with the demographics of its customers and/or regions in which it operates. We supported this proposal as we consider diversity and inclusion issues to be a material factor to companies.

The management advised voting against this resolution. 5.2% of votes were in favour of this proposal, 94.4% against, and 0.4% abstention.

Kansai Electric Power Co (KEPCO)

This resolution was put forward by shareholders to electric utilities company Kansai Electric Power Co (KEPCO) requesting amendment of the articles to reduce the maximum board size and require majority outsider board, flagging potential governance issues. Consistent with the Trustee's board effectiveness theme, we voted in favour of this resolution, as we did the year before, as we consider a smaller board comprised of majority independent non-executive directors leads to better shareholder outcomes.

The management was recommending voting against this resolution. 16.7% of shares voted in favour of it, 82.0% against it, and 1.3% abstained.

Expedia Group

We withheld our votes for several directors' election*, including all incumbent compensation committee members due to the issue of overboarding, and egregious compensation-related decisions given misalignment between executive compensation and company performance. We expect companies to obtain annual shareholder approval of executive directors' pay and a sufficient portion of awards to be assessed against performance conditions to ensure alignment of remuneration with company performance. We also expect directors to hold limited external roles, especially if they hold a full-time job, to ensure they can undertake their duties within the company effectively.

The management advised voting for all seven directors' election. We withheld from voting for six of these directors, four of which gathered significant dissenting votes, with votes against them ranging from 43.6% to 52.5%, and two of them receiving few dissenting votes, with votes against them of 2.4% and 7.1%, respectively. All the remaining votes were in favour of their election.

*Directors at Expedia, like in many US companies, are elected by plurality vote which means that the winning candidate only needs to get more votes than a competing candidate. As directors ran unopposed at Expedia's AGM, they only needed one vote to be elected. While a vote against is meaningless in this case, shareholders have the option to express dissatisfaction with a candidate by indicating that they wish to "withhold" their vote to elect said director. It is effectively an "abstain" vote.