

# BOLTON ENGINEERING CO LIMITED PENSION SCHEME

## Engagement Policy Implementation Statement

Financial Year Ending 31<sup>st</sup> March 2022

### **Introduction**

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Trustees’ Statement of Investment Principles (“SIP”) have been followed during the year to 31 March 2022. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, as amended, and the guidance published by the Pensions Regulator.

### **Investment Objectives of the Scheme**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. The objectives of the Scheme included in the SIP are as follows:

*To achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme and the Sponsoring Employer.*

### **Policy on ESG, Stewardship and Climate Change**

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. Over the last 12 months, the SIP was updated to include new policies in relation to the Trustees’ arrangements with investment managers.

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

The Scheme’s assets are invested in pooled funds and therefore the Trustees accept that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

Mercer, on behalf of the Trustees, will take ESG considerations into account in the selection, retention and realisation of investments.

## **Scheme's Investment Structure**

The Scheme's only investment is a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustees have no direct relationship with the Scheme's underlying investment managers.

## **Trustee Engagement**

### Monitoring

The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers. Over the year, no changes were made to the Scheme's strategic asset allocation and no new investment managers were appointed by the Trustees. Managers will be expected to report on their own ESG policies as and when requested by the Trustees.

Mercer's investment performance report is reviewed by the Trustees on a quarterly basis. This includes Mercer's ratings (both general and specific ESG) and enables the Trustees to determine whether further action should be taken in respect of specific funds. The Trustees are satisfied that Mercer's ESG scores for the Scheme's managers are satisfactory.

The Trustees also received details of relevant engagement activity for the year to 31 March 2022 from the Scheme's investment manager, covering a wide range of different issues, including ESG factors. Example of this is given below:

- **Nordea** – continues to view active ownership as being a strong focus point. In early 2021 they launched an internal cross-department project to massively increase voting, with the goal to reach close to full coverage within a few years. Already at the close of 2021 voting season, Nordea reached above 90% coverage on all votable meetings, voting on more than 4200 General Meetings.

### Stewardship:

Over the year, the Trustees requested that the investment manager confirm compliance with the principles of the UK Stewardship Code. Nordea has confirmed that they have made a submission to be signatories of the current UK Stewardship Code in 2022. Nordea have confirmed that whilst they engage individually with companies, they also collaboratively engage collaboratively as this is seen as an important part of their active ownership work.

Over the period, the Trustees did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

## **Assessment of how the Engagement Policies in the SIP have been followed for the year to 31 March 2022**

The Trustees are satisfied that the Engagement Policies set out in the SIPs which have been in place over the year have been followed.

## Voting Activity

The Scheme has no direct relationship with the pooled funds it is invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated their voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the last year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

The table below sets out a summary of the key voting activity over the financial year:

Manager / Fund	Proxy voter used?	Votes cast			Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions	
Nordea Diversified Return	None / ISS	2,348 Resolutions eligible to vote on c.99.9% votes cast	c.11.3% of votes cast	c.0.2% of eligible votes	<b>Johnson &amp; Johnson</b> – Nordea voted for a report on government financial support and access to COVID-19 vaccines and therapeutics. Nordea believes that the reporting on public funding on the company's pricing and access plans would allow shareholders to better assess the company's management of related risks.  <b>Republic Services</b> – Nordea voted for a report on integration of ESG metrics into Executive Compensation Program. Nordea engaged with the company on this issue as well as the Company's climate goals. They think this is important since the company has several ESG-related controversies, and several peers have started integrating ESG metrics into executive compensation programs.

**Notes:** ISS = Institutional Shareholder Services Inc.  
Voting information is to 31 March 2022