

BOLTON ENGINEERING CO LIMITED PENSION SCHEME

Engagement Policy Implementation Statement

Financial Year Ending 31st March 2023

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 2023. 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 they have 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 Trustees must consider all factors that have the potential to impact upon the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme’s SIP includes the Trustee’s policies on ESG factors, stewardship and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

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

The SIP was updated over the Scheme year and the latest SIP was approved on 19 April 2022. It is available online at: www.silcoms.com/boltonengineeringpension

The previous SIP was dated 29 September 2020.

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

Mercer's quarterly performance reporting includes Mercer's ESG scores for the funds in which the Scheme is invested. These scores reflect Mercer's view on how the managers incorporate ESG factors into the management of their funds and help the Trustees to determine whether further action should be taken in respect of specific funds.

The Trustees monitor the development of these scores over time, and also consider Mercer's ESG scores when undertaking an investment strategy review and considering new investment funds.

The Trustees are satisfied that Mercer's ESG scores for the funds invested in are satisfactory in the context of the mandates of the funds.

As the Trustees have no direct relationship with the Scheme's underlying investment managers the engagement initiatives are driven by investment managers, mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

The information in the Appendix shows that the Scheme's managers engaged with a large number of investee companies on a wide range of issues.

Further information on the investment managers' approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following website:

Nordea:

<https://www.nordeaassetmanagement.com/responsible-investment>

Payden and Rygel:

https://www.payden.com/SFDRPolicies/ESG_Engagement.pdf

Twenty Four:

<https://www.twentyfouram.com/responsible-investment-policy>

M&G:

<https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments>

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/>

Insight:

<https://www.insightinvestment.com/investing-responsibly/>

Stewardship:

All the Scheme's investment managers are signatories of the UK Stewardship Code as follows:

Manager	Signatory since
Nordea	2022
Payden and Rygel	2022
Twenty Four	2021
M&G	2021
Columbia Threadneedle	2022
Insight	2022

Source: FRC website

Taking all the above into consideration, the Trustees are satisfied that Responsible Investment is embedded appropriately in the investment managers' approaches to investing.

A further update will be provided in next year's Statement.

Voting Activity

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

As noted earlier, the Scheme has no direct relationship with the pooled funds it is invested in, and therefore the Trustees have no voting rights in relation to the Scheme's investments and no direct ability to influence the managers of the pooled funds. As a result, the Trustees do not directly use the services of a proxy voter as this is not relevant.

Furthermore, the Nordea Diversified Return Fund is the only fund in which the Scheme invests that contains equities, and therefore for which voting is possible. The Appendix sets out a summary of the key voting for that fund.

This includes information on what the fund manager considers to be a significant vote. The Trustees have no influence on this definition but is satisfied that it is reasonable and appropriate.

DWP released a set of Engagement Policy Implementation Statement requirements on 17 June 2022, "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance" to be adopted in all Engagement Policy Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

- A significant vote is defined as one that is linked to the Scheme's stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;

- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

The Trustees have identified that climate change & carbon neutrality are their most important stewardship priority.

The Appendix therefore shows those significant votes supplied by the investment manager which the Trustees determine to be a significant vote – ie those that are in relation to climate change & carbon neutrality.

Assessment of how the Engagement Policies in the SIP have been followed for the year to 31 March 2023

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

Appendix – Voting and Engagement Activity

This Appendix sets out a summary of the key voting and engagement activity of the pooled funds in which the Scheme’s assets are ultimately invested.

Engagement:

Fund	Total Engagements	Climate Change Engagements
Nordea Diversified Return Fund	100	16
Payden Absolute Return Bond Fund	234	31
TwentyFour Absolute Return Credit Fund	77	25
M&G Total Return Credit Investment Fund	7	3
CT LDI Real Dynamic LDI Fund	23	Not provided
Insight LDI Enhanced Selection Funds	37	22

Sourced by Mobius from the investment managers

Voting Activity:

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
Nordea Diversified Return Fund	Every vote cast is considered individually on the background of Nordea’s bespoke voting policy, which is developed in-	2,391 resolutions eligible for, 2,363 votes cast	206	39	Significant votes are those that are severely against Nordea’s principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special	Monster Beverage Shareholder Resolution - “Report on GHG emission reduction targets aligned with the Paris Agreement goal” Date of vote: 14 June 2022 Size of holding: 1.27% of portfolio

house based on their principles.

Proxy voting is supported by two external vendors (ISS and Nordic Investor Services) to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors merged.

reason. From there, Nordea benchmark the proposals versus their policy.

Voting: For

Manager Rationale: “We think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.”

Was this communicated to company ahead of vote: No

Vote Outcome: Resolution failed

Next steps: Nordea will continue to support shareholder proposals on this issue as long as the company is not showing substantial improvements.

Microsoft Corporation

Shareholder Resolution - “Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk”

Date of vote: 13 December 2022

Size of holding: 3.60% of portfolio

Voting: For

Manager Rationale: “We believe that while the company may not be responsible for its employees' investment decisions, the information requested in the report would not only complement and enhance Microsoft's existing commitments regarding climate change, but also allow shareholders to better evaluate the company's strategies and management of related risks.”

Was this communicated to company ahead of vote: No

Vote Outcome: Resolution failed

Next steps: Nordea will continue to support shareholder proposals on this issue as long as

it is needed.

Voting information is to 31 March 2023 sourced from Nordea

* All are considered significant because they relate to climate change and carbon neutrality