

# BACB PENSION SCHEME

## Engagement Policy Implementation Statement

### **Introduction**

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 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** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

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

The Trustees believe that it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustee's primary investment objective for the Scheme is 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.

The Trustees wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustees recognise that the investment performance of the Scheme's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the Sponsoring Employer's ability and/or willingness to continue to support the Scheme.

With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Scheme benefits as and when they fall due and avoid any reduction in benefits if possible
- To achieve and maintain a funding level of 100% on the on-going funding basis
- To maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme
- To pay due regard to the interests of the Sponsoring Employer in relation to the funding of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

## **Investment Strategy**

The Trustees have established a strategic benchmark for the Scheme assets, during the course of the financial year the Trustees did not make any changes to the Scheme's investment strategy. The Scheme continues to target a strategic asset allocation consisting of 60% growth assets and 40% bond-type assets, but this was updated at the beginning of 2023. The new strategy targets 32% growth assets and 68% bond assets.

The Trustees monitor the asset allocation from time to time and may rebalance the Scheme's investments if necessary to bring them in line with the strategic benchmark (SIP section Appendix 1).

## **Review of the SIP**

The Scheme's SIP was updated in March 2023 and these changes were made to reflect the revised investment strategy.

## **Scheme's Investment Structure**

Over the course of the year, the Scheme's assets were invested in pooled funds managed by third party investment managers.

As such, whilst the Trustees have a direct relationship with the Scheme's underlying investments managers, they do not directly engage with the underlying companies that the fund manager invests in.

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

The Trustees understand that they 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 Trustees' policy on ESG factors, Stewardship and Climate Change; these policies were last reviewed in March 2023. The Trustees keep its policies under regular review with the SIP, subject to review at least triennially.

## **Engagement**

In the relevant year, the Trustees have not engaged with the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees review the stewardship and ESG policies of the Fund managers periodically.

## **Voting Activity**

The Scheme has no direct relationship with the underlying companies that it is ultimately invested in, and therefore, do not have the voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its 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 Scheme 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.

## **Significant Votes**

Following the DWP's consultation response and outcome regarding Implementation Statements 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") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustee defines a significant vote 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. Given the nature of the Scheme's holdings, this is unlikely to be a material consideration for the Trustee.

The table on the following page sets out a summary of the key voting activity over the financial year:

Fund	Votes cast			Most significant votes (description)	Significant vote examples
	Votes in total	Votes against management endorsement	Abstentions		
<b>Schroders Diversified Growth Fund</b>	14,437	1,095	87	Schroders consider "most significant" votes as those against company management. Schroders is not afraid to oppose management if they believe that doing so is in the best interests of shareholders and clients.	A significant vote is defined by Schroders as a vote against management which signals they are not comfortable with the company's management actions/intentions. This is usually used as an escalation method to an engagement that is not progressing, or otherwise may kickstart start an engagement period with the company concerned. Schroders believe that all votes against management should be classified as a significant vote.
<b>Nordea Diversified Return Fund</b>	2,335	211	40	Significant votes are those that are severely against their principles, and where Nordea feel that 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 reason. From there, Nordea benchmark the proposals against our policy.	Nordea have provided a number of examples which include voting against management on tax transparency and Green House Gas (GHG) emissions.

Notes: ISS = Institutional Shareholder Services Inc.  
IVIS = Institutional Voting Information Service

During the year the Scheme disinvested from the BlackRock Dynamic Diversified Growth fund. The voting for the partial period is not included but is available upon request.

Proxy Voter used:

- **Schroders:** Receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on internal policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.
- **Nordea:**
  - o ISS – for the technical expertise and voting platform, as well as their global reach, and second opinion
  - o NIS – a smaller, specialist firm which provides input and third opinion