

Engagement Policy Implementation Statement (forming part of the Trustees' Report)

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 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** 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.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

Investment Strategy

The Trustees have established a strategic benchmark for the Scheme assets, which 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

The Scheme's assets are invested in pooled funds managed by third party investment managers. Over the course of the year, the Trustees transferred the fund holding onto an investment platform managed by Mobius Life.

Given that the investments are made through pooled funds, the Trustees do not hold individual securities directly and they do not therefore directly engage with the underlying companies that the fund managers invest 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 expect to 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 future statements.

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".

As noted in last year's statement, the Trustees define 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. The Trustees remain satisfied that the Significant Votes outlined by the respective investment managers are consistent with their broad engagement priorities, and the Trustees' investor advisors assign positive ratings to the overall ESG capabilities of the respective investment managers.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

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

Fund	Votes cast		Abstentions	Most significant votes (description)	Significant vote examples
	Votes in total	Votes against management endorsement			
Schroders Diversified Growth Fund	Eligible votes: 14,227 Voted on: 13,351 (93.8%)	1,462	60	Schroders consider "most significant" votes as those against company management on key engagement topics. Schroders highlight that they will oppose management if they believe that doing so is in the best interests of shareholders and clients. This is usually used as an escalation method to an engagement that is not progressing as expected.	Schroder provided details on a number of significant votes. These covered companies including Apple, JPMorgan Chase & Co, Amazon.com, and Alphabet. The votes were on a wide range of topics including gender/racial pay gap (Apple), climate transition and greenhouse gas target (JPMorgan), reducing plastic waste (Amazon.com) and assessments of lobbying activities and climate alignment (Alphabet).
Nordea Diversified Return Fund	Eligible votes: 2,486 Voted on: 2,441 (98.2%)	288	125	Significant votes are those that are severely against the investment manager's 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 their policies.	Nordea have provided a number of examples which include voting for shareholder proposals on lobbying transparency, assessments of human rights diligence in supply chains, and alignment of climate targets to Paris Agreement Goal. The examples also include votes against management on executive compensation, and director elections; including the proposed re-election of Mark Zuckerberg at Meta Platforms where Nordea believe there has been a failure by the board to proficiently guard against and manage material environmental, social and governance risks.

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.

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