Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 31 March 2024. The SIP has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 and the guidance published by the Pensions Regulator. The Trustee's policies are outlined in their Statement of Investment Principles (SIP). As a result of the sectionalised merger of the BOC Pensions Scheme into the BOC Retirement Benefits Scheme (formerly the BOC Senior Executive Pension Scheme), the investments of the two sections are set out in the predecessor SIP documents which were last updated and adopted on 23 November 2022. These two SIP documents are available here.

On 27 March 2024, the Scheme's Trustee appointed Mercer as the delegated investment manager for its assets. The Trustee has thereby delegated day-to-day management of the Scheme's assets (excluding AVCs) to Mercer Limited ("Mercer" or "investment consultant"). The Scheme's assets are invested in a range of external investment managers funds and funds managed by Mercer (known as the Mercer Funds). The management of each of the Mercer Fund's assets is carried out by a Mercer affiliate, namely Mercer Global Investments Europe Limited (MGIE). Under these arrangements, the Trustee acknowledges that they do not possess direct authority over the engagement or voting policies and arrangements of the investment managers.

Investment Objectives of the BOC Section and the SEPS Section of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the two Sections are as follows:

- to ensure that each Section's assets are sufficient to meet its liabilities to provide beneficiaries with benefits as specified in the Scheme's Trust Deed and Rules.

- by targeting an annual investment return in excess of the liability discount rate assumed in the actuarial valuation without taking undue risk.

    - The target investment return for the time being is gilt yields plus 2.2% per annum (BOC Section) / gilt yields plus 1.3% per annum (SEPS Section). It is expected that these targets are reduced in the future depending on the funding level and market conditions.

    - The Trustee will aim to reduce risk to as a low a level as possible consistent with the return objective. The main concepts followed to achieve this are diversification of asset classes and asset liability matching.

The objectives set out above, and the risks and other factors referenced in the SIP are those that the Trustee determines to be financially material considerations in relation to the Scheme.

Section 2 of this Statement outlines the Trustee's engagement policy and evaluates the extent to which it has been followed during the Scheme Year.

Section 3 sets out the Trustee's policy regarding the exercising of rights (including voting rights) attached to the Scheme's investments. This Section also provides detailed information on the voting activities undertaken by third-party investment managers appointed within the Mercer Funds during the Scheme Year.

Considering the analysis presented in Sections 2 to 3, the Trustee believes that their policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Scheme Year.

2. TRUSTEE'S POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE

The SIP includes the Trustee's policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to manager monitoring, voting rights and stewardship.

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

In order to establish these beliefs and produce this policy, the Trustee worked with their investment consultant to understand the potentially relevant risks. These include ESG and climate-change related financially material risks arising from the Scheme's investments. The Trustee also considers the voting and stewardship activities of their investment manager to be essential in the ongoing management of these risks.

The following work was undertaken during the year to 31 March 2024 relating to the Trustee's policies on ESG factors, stewardship and climate change.

The Trustee will periodically review Mercer's Stewardship and Sustainability policies. If the Trustee finds that the relevant policies of Mercer, MGIE or the third party asset managers do not align with their own beliefs they will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds. They may also seek to renegotiate commercial terms with Mercer.

The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to have effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities. This requirement is aligned with the Task Force on Climate-related Disclosures (TCFD) framework. The TCFD framework is a set of recommendations developed by an international task force established by the Financial Stability Board (FSB). The framework provides guidance for organizations to disclose climate-related financial information in a consistent and decision-useful manner. Occupational pension schemes with £5 billion or more in assets must comply with these requirements from 1 October 2021. Occupational pension schemes with £1 billion or more in assets, such as the Scheme, must comply with these requirements from 1 October 2022.

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3. TRUSTEE'S POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

The Trustee's policy is as follows:

- **Delegation of Investment Management:** As of 27 March 2024, the Trustee delegated responsibility for the discretionary investment management of Scheme assets to Mercer. The Scheme's assets are invested in a range of externally managed funds.

- **Reporting of Engagement and Voting:** In order for the Trustee to fulfil their obligations regarding voting and engagement, they require reporting on the engagement and voting activities undertaken by the external investment managers. This reporting helps the Trustee assess whether the policies align with their own delegation of Voting Rights: Voting rights that apply to the underlying investments attached to the external manager funds are ultimately delegated to the third-party investment managers that have been appointed with advice from the investment consultant, Mercer. Mercer accepts that these managers are typically best placed to exercise voting rights and prioritise particular engagement topics, given their detailed knowledge of the governance and operations of the invested companies.

A summary of the voting activity for the Scheme's assets that are invested in funds with voting rights is provided for the year ending 31 March 2024. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end.

Mercer considers that votes exercised against management can indicate a thoughtful and active approach, particularly when votes are exercised to escalate engagement objectives.

Since Mercer's appointment as discretionary investment manager, Mercer has been involved in stewardship activities on behalf of the Trustee. The 2023 Stewardship Report highlights the engagement objectives which have been set, examples of engagement and the escalation process. Mercer also participates in collaborative initiatives related to stewardship.

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Engagement

- The Trustee requires that investment managers explain how they take ESG considerations into account. The Company Governance Committee circulated governance letters to all investment managers over the year, including questions on integration of ESG, sustainability and stewardship into their investment processes, as well as ensuring ongoing compliance with regulatory requirements. These responses were subsequently discussed at the Trustee meetings.

- Investment managers are expected to evaluate ESG factors, including climate change considerations, exercise voting rights and stewardship obligations attached to the investments in accordance with their own corporate governance policies and current best practice.

- The Trustee monitors compliance with the principles of the UK Stewardship Code. As at 31 March 2024 all of the equity managers (4/4) confirmed that they are signatories of the 2020 UK Stewardship Code.

- The Trustee has asked all equity managers to provide details on their voting over the year, which were subsequently reviewed and reported on at the JIC. The Trustee also received details of relevant engagement activity for the year from the investment managers and discussed these directly with the managers during review meetings.

- For the Scheme's equity and fixed income managers, the Trustee has increasingly been incorporating ESG as a regular item on update calls, requesting details on progress made in this area from all managers. From 27 March 2024, responsibility for manager selection and monitoring has been delegated to Mercer. The Trustee also considered benchmarking analysis conducted by the investment consultant that compared the managers' ESG approaches to the broader universe of equivalent strategies, in order to better understand how those managers were performing.

- The Trustee has asked their investment consultant to conduct a more fundamental ongoing review of ESG, climate change and its role in the Scheme's investment strategies. To date, this work has focussed on understanding where the Scheme currently sits from an ESG perspective, establishing a baseline (with respect to ESG ratings and carbon emissions for example) and considering asset allocation changes to improve the sustainability credentials of the portfolios, whilst remaining cognisant of the fiduciary duty to members.

- As part of the TCFD report to 31 March 2023, the Scheme reported on a number of metrics for the list equity portfolio compared the benchmark (MSCI ACWI ESG Universal Index). The current carbon footprint of the listed equity portfolio is 58% lower than the MSCI ACWI benchmark, with data coverage for 98.5% of the listed equity portfolio.

Voting Activity

The Trustee believes that exercise of voting rights forms part of the investment process to achieve the best long-term outcome. Therefore, this activity is delegated to investment managers. Managers are required to keep records of exercised votes and report to the JIC and Mercer on request. Investment managers are expected to provide voting summary reports on a regular basis, at least annually. The reports are reviewed to ensure that they align with the Trustee's policies.

The Trustee does not use the direct services of a proxy voter, however note that external investment managers may do so.

Over the last 12 months, the key voting activity on behalf of the Trustee was as follows:

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- **Wellington - Global Quality Growth Equity**

The voting policy of the manager has been considered by the Trustee, including the manager's definition of a significant vote, and the Trustee deem it to be consistent with its investment beliefs. The manager does not systematically track whether all votes are in line with their voting policy.

Key votes undertaken over the prior year are summarised as below:

- There have been 1,227 votable proposals over the year, of which Wellington has voted in 1,199 of these proposals on behalf of the Trustee.
- In around 94% of these votes for proposals, Wellington has indicated their support to the companies' management, while voting against around 6% of the proposals.

- **Baillie Gifford - Global Alpha**

The voting policy of the manager has been considered by the Trustee, including the manager's definition of a significant vote, and the Trustee deem it to be consistent with its investment beliefs. There were no votes by the manager that contradicted their own voting policy.

Key votes undertaken over the prior year are summarised as below:

- There have been 1,249 votable proposals over the year, of which Baillie Gifford has voted in 1,183 of these proposals on behalf of the Trustee.

- In around 88% of these votes for proposals, Baillie Gifford has indicated their support to the companies' management, while voting against around 6% of the proposals and abstained on 0.5%.

- **Vontobel - Quality Growth Global Equity**

The voting policy of the manager has been considered by the Trustee, including the manager's definition of a significant vote, and the Trustee deem it to be consistent with its investment beliefs. The manager noted one vote during the year that was voted against their voting policy. Further details on this vote is contained in the voting examples.

Key votes undertaken over the prior year are summarised as below:

- There have been 845 votable proposals over the year, of which Vontobel has voted in 836 of these votable proposals on behalf of the Trustee.
- In around 85% of these votes for proposals, Vontobel has indicated their support to the companies' management, while voting against around 13% of the proposals (and abstaining from voting on approximately 1% of votes).

- **Alliance Bernstein - Global Core Equity**

The voting policy of the manager has been considered by the Trustee, including the manager's definition of a significant vote, and the Trustee deem it to be consistent with its investment beliefs. There were no votes by the manager that contradicted their own voting policy.

Key votes undertaken over the prior year are summarised as below:

- There have been 1,002 votable proposals over the year, of which Alliance Bernstein has voted in 1,002 of these votable proposals on behalf of the Trustee.
- In around 94% of these votes for proposals, Alliance Bernstein has indicated their support to the companies' management, while voting against around 6% of the proposals.

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Significant Votes: Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022, one of the areas of interest was the significant vote definition. The Trustee is required to include details on why a vote is considered significant and rationale for the voting decision within their implementation statements.

The Scheme's implementation statement to be included in the Trustee Report & Accounts as at 31 March 2024 falls in scope of these regulations. The Trustee has reviewed the Scheme's stewardship priorities and identified the following as key themes:

- **Climate Change**: including, but not limited to, low-carbon transition and physical damages resilience;

- **Human Rights**: including, but not limited to, modern slavery, pay & safety in the workforce and abuses in conflict zones; and/or

- **Diversity, Equity and Inclusion**: including, but not limited to, inclusive & diverse decision-making.

The *most* significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals).

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Most Significant Votes

Manager	**Company** *(Holding Weight)*	**Meeting Date: Proposal Text** *(Significance Category)*	**Manager Vote Decision** *Vote with or against management* *Rationale, if available*
Alliance Bernstein (AB)	Microsoft Corp (8.1%)	07/12/2023: Shareholder Proposal Regarding Reporting Adopt a Policy Requiring Third Party Groups to Report Their Political Expenditures (Governance)	Vote: Against Vote against management: No Rationale: The proposal, requesting the company require organizations engaging in political activities on behalf of the company to disclose their political spending, is overly prescriptive. The company outlines its public policy advocacy approach in its Principles and Policies for Guiding Microsoft's Participation in the Public Policy Process and trade associations memberships report.
	Goldman Sachs Group Inc (4.4%	26/04/2023: Shareholder Proposal Regarding Reporting on Report on Median Gender/Racial Pay Gap (Governance)	Vote: For Vote against management: Yes Rationale: The proposal appears to add value for shareholders by enhancing transparency.
	The Coca-Cola Company (4.4%)	25/04/2023: Shareholder Proposal Regarding Reporting on Third-Party Civil Rights Audit (Governance)	Vote: Against Vote against management: No Rationale: Based on AB's Shareholder Assessment Framework, the proposal does not appear to add value for shareholders. The manager acknowledge that the Company has developed "Racial Equity Plan" as disclosed in its 2021 ESG Report, which includes both internal and external stakeholder focused initiatives.

Baillie Gifford	Meta Platforms Inc. (4.0%)	31/05/2023: Shareholder Proposal Regarding Dual Class Capital Structure (Governance)	Vote: For Vote against management: Yes Rationale: The manager supported the shareholder resolution on equal voting rights as they believe this is in the best interests of long-term shareholders. This was considered significant by the manager as it was submitted by shareholders and received greater than 20% support.
	Microsoft Corp (3.9%)	07/12/2023: Shareholder Proposal Regarding Reporting on AI Misinformation and Disinformation (Social)	Vote: Against Vote against management: No Rationale: The manager opposed the shareholder resolution requesting a report on risks relating to the spread of misinformation and disinformation due to the company's AI. The manager believes the company's disclosures are already extremely robust on this topic, and it is unclear how this additional report would be additive. This was considered significant by the manager as it was submitted by shareholders and received greater than 20% support.
	Amazon.com (3.8%)	24/05/2023: Shareholder Proposal Regarding Additional Reporting on Climate Lobbying (Environmental)	Vote: For Vote against management: Yes Rationale: The manager supported the shareholder resolution requesting a report on how the company’s lobbying is consistent with its climate commitments. We would like to see the company expand on their current reporting, specifically regarding risk assessment and procedures. We believe ensuring congruence between their stated commitments and their actions will support them in achieving sustainable long term growth. This was considered significant by the manager as it was submitted by shareholders and received greater than 20% support.
Vontobel	Microsoft Corp (6.4%)	07/12/2023: Shareholder Proposal Regarding Reporting on Climate Risk in Retirement Plan Options (Environmental)	Vote: Against Vote against management: No

			Rationale: The manager voted contrary to their ESG policy. Per the policy, the manager would have voted for the report on climate risk in retirement plan options for our holding Microsoft inc. Instead the manager instructed to vote AGAINST. The shareholder proposal called for a report assessing if Microsoft's 401K plan offerings are sufficiently environmentally sustainable. The shareholder claimed that employees are defaulted into BlackRock LifePath funds (which it deems as environmentally inadequate) and that this represents that "vast majority" of plan assets. This seemed to be completely wrong, as Microsoft notes that new employees are required to affirmatively choose their funds, and that the majority of plan assets are outside of BlackRock LifePath. The company noted that the 401k plan is overseen by a management level fiduciary committee, making a wide range of investment styles available to its employees (including hundreds of ESG options available in the self-directed brokerage window plus a one-click tools to identify Socially Responsible Investment funds). Nearly all of the investment managers are UN signatories and incorporate ESG factories to varying degrees.
	Amazon.com (4.4%)	24/05/2023: Shareholder Proposal Regarding Reporting on Climate Change (Environmental)	Vote: For Vote against management: Yes Rationale: The manager voted in support of this proposal (against management) because they believe shareholders would benefit from more disclosure on how the company considers internal and external issues related to the transition to a low-carbon economy as part of its climate strategy. The manager considered this vote significant due to the weight of the holding in the portfolio and the impact of vote on company sustainability/value.
	Flutter Entertainment Plc (3.6%)	27/04/2023: Proposal to Re-Elect Gary McGann as Director (Governance)	Vote: Abstain Vote against management: Yes Rationale: The manager abstained from voting, in line with their policy, because of the less than 10% racial/ethnic diversity (only 1 out of 12 members is a minority). The manager discussed the issue with the board secretary. Flutter's annual report contained some information about how the Board worked hard to improve gender diversity (e.g. recruiting from a shortlist of only women) but had no

			specifics on how to improve the racial/ethnic diversity. The manager discussed their policy, and the work to be done in this space. The manager considered this vote significant due to the weight of the holding in the portfolio and the impact of vote on company sustainability/value.
	Yum Cha Holdings, Inc. (1.4%)	25/05/2023: Proposal to Elect Fred Hu as Director (Governance)	Vote: For Vote against management: No Rationale: The manager noted their custom policy voting recommendation called for them to vote against management, the manager verifies that the company does, in fact, report based on TCFD recommendations and does file with CDP. As the manager has previously discussed with the company, it has higher carbon intensity because the vast majority of stores are owned, meaning emissions are within Scopes 1 & 2. This contrasts with global peers that are majority franchised for which emissions are captured under Scope 3. The manager considered this vote significant due to the weight of the holding in the portfolio and the impact of vote on company sustainability/value.
Wellington	Apple Inc (5.3%)	28/2/2024: Shareholder Proposal Regarding Equal Employment Opportunity (EEO) Policy Risk Report (Social)	Vote: Against Vote against management: No Rationale: *(Not provided).*
	Microsoft (4.3%)	07/12/2023: Shareholder Proposal Regarding Reporting on Climate Risk in Employee Retirement Options (Environmental)	Vote: Against Vote against management: No Rationale: *(Not provided).*
	Amazon.com Inc (4.0%)	24/5/2023: Shareholder Proposal Regarding Reporting	Vote: For Vote against management: Yes

		on Customer Due Diligence (Governance)	Rationale: The manager noted that enhanced disclosure would be in the interest of shareholders.