

Civil Service Benevolent Fund Pension and Assurance Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2024

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 5 April 2024. 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, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the SIP dated June 2021 (covering the period between April 2023 and January 2024, and the SIP dated February 2024 (covering the period between February 2024 and April 2024).

The Trustees can confirm that all policies in the SIP on engagement in relation to the Scheme's DB assets have been followed during the Scheme Year

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. As set out in the SIP the Trustees' 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.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme. The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must aim to consider all factors that can impact 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. This policy sets out the Trustees' beliefs on ESG 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 current SIP is available online at the following link: www.cfcs.org.uk/app/uploads/2024/02/CSBF_SIP_Feb2024.pdf

In November 2022 the Trustees agreed a statement of investment beliefs which included the priorities for the Scheme in relation to Responsible Investment. The statement includes the belief that **climate change** and the expected transition to a low carbon economy represent a long-term financial risk to Scheme outcomes and should be considered by the Trustees as part of their fiduciary duty, whilst recognising that the effective horizon of the Scheme is now quite short, particularly by comparison to the timescale for the impact of climate change and environmental risks.

Set out below is a summary of the work that was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, as well as an overview of how the Trustees' engagement and voting policies were followed and implemented during the year.

Trustees 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 use Mercer's ESG ratings to consider how ESG, climate change and stewardship are integrated within the investment process as part of their monitoring of existing investment managers.

During the year to 5 April 2024, the Scheme's investment performance report was reviewed by the Trustees on a semi-annual basis – this includes manager research ratings (both general and ESG specific) from Mercer, as well as detail on how investment managers are delivering against their specific mandate.

The Trustees are satisfied that the ESG scores are satisfactory in the context of the mandates of the funds.

Further information on the investment managers' approaches to responsible investment, voting and engagement with the investee companies is available at the following websites:

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

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

LGIM: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

Payden: <https://www.payden.com/ESG.aspx>

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

Manager	Signatory Since
Columbia Threadneedle	2022
Nordea	2022
Payden & Rygel	2021
LGIM	2021

Source: FRC website

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

Voting Activity

The Scheme is invested in multi-client pooled funds and therefore the Trustees do not have direct voting rights in relation to the Scheme's investments. The Trustees have effectively delegated their voting rights to the investment managers. The Trustees have not been asked to vote on any specific matters over the Scheme year covered by this statement. Nevertheless, this statement sets out a summary of the key voting activity carried out on behalf of the Trustees by the investment managers of the multi-client pooled funds for which voting is possible (i.e., all funds which include equity holdings). The Trustees do not use the direct services of a proxy voter.

Manager / Fund	Proxy voter used?	Votes cast		
		Votes in total	Votes against management endorsement	Abstentions
Columbia Threadneedle – Multi Asset Fund	ISS - cognisant of proxy advisers' voting recommendations Glass Lewis - For research	6,702 eligible for (99.8% cast)	11.6% of votes cast	1.6% of votes cast
Nordea – Diversified Return Fund	ISS - Voting platform for casting votes and recordkeeping Glass Lewis & ISS – For research	2,069 eligible for (99.9% cast)	12.4% of votes cast	2.5% of votes cast
LGIM – Future World Global Equity Index Fund & GBP Hedged Share Class	LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's view on ESG, they have put in place a custom voting policy with specific voting instructions.	52,212 eligible for (99.9% cast)	19.5% of votes cast	0.3% of votes cast

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

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":

- 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 size of holdings.
- The Trustees are to include details on why a vote is considered significant and rationale for the voting.

The Trustees have classified most "significant votes" as any vote which concerns **Climate Change** e.g. a vote on a company's carbon disclosures or low-carbon transition, where the **Size** of the holding is >1% of the fund. This aligns with the Sponsor's environmental pledge to become carbon net zero in its emissions by 2030. Where applicable, examples of such significant votes are summarised in the table below:

Manager	Company	Date	Why it is significant	Size of holding (% of Fund)	Summary of resolution	Vote cast	If against management, was intention communicated?	Rationale for voting decision	Outcome	Next steps
Columbia Threadneedle – Multi Asset Fund	Amazon Inc.	24/05/2023	The Trustees consider the following provided by the investment manager to be significant as they relate to climate change:	1.1%	Report on Impact of Climate Change Strategy Consistent with Just Transition Guidelines	For	No	Shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

Nordea – Diversified Return Fund	Alphabet	02/06/2023	The Trustees consider the following provided by the investment manager to be significant as they relate to climate change	4.8%	Report on Lobbying Payments and Policy, Report on Framework to Assess Company Lobbying Alignment with Climate Goals etc.	Against	No	Alphabet AGM supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors.	Fail	We will continue to support shareholder proposals on this issue as long as it is needed.
	Comcast Corporation	07/06/2023	The Trustees consider the following provided by the investment manager to be significant as they relate to climate change	1.4%	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal (shareholder proposal)	For	Yes	Nordea believe 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	Fail	We will continue to support shareholder proposals on this issue as long as it is needed.

Sources: Columbia Threadneedle Investments and Nordea, Information as at 31 March 2024. There were no votes qualifying under the Trustees' definition of 'most significant' related to the LGIM Future World Global Equity Index Fund holdings of the Scheme.