

THE BUCCLEUCH ESTATES LIMITED 1974 RETIREMENT FUND ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 30 April 2024

Introduction

This Engagement Policy Implementation Statement (the “Statement”) sets out how, and the extent to which, the stewardship policy and policies on environmental, social and governance (“ESG”) factors and climate change, set out in the Statement of Investment Principles (the “SIP”), have been followed during the year to 30 April 2024 (the “Fund Year”). This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, and the guidance published by the Pensions Regulator.

The Statement is based on, and should be read in conjunction with, the SIP that was in place for the Fund Year. The latest version of the SIP can be accessed online:

<https://buccleuchpensions.co.uk/wp-content/uploads/2022/12/The-Buccleuch-Estates-Limited-1974-RF-SIP-November-2022.pdf>

Trustee’s Investment Objectives

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set.

As outlined in the latest SIP, the Trustee’s primary investment objective for the Fund is to maintain its financial position to be fully funded on Mercer’s solvency basis* (i.e., a proxy insurance provider buy-out basis).

Furthermore, taking the sponsoring employer’s covenant into consideration:

- seek a return marginally ahead of gilts, whilst,
- ensuring the assets are liquid enough to meet the liabilities, as and when they fall due.

*It should be noted that Cartwright were appointed as the Scheme Actuary on 1 March 2024. Therefore, Mercer’s solvency basis will be restated by Cartwright in due course and subsequently the SIP will be updated to reflect the revised basis.

Policy on ESG, Stewardship and Climate Change

The Trustee recognises that ESG factors can influence the investment performance of the Fund’s portfolio and it is therefore in members’ and the Fund’s best interest that these factors are taken into account within the investment process.

The Fund’s SIP includes the Trustee’s policies on ESG factors, stewardship and climate change. The Trustee keeps its policies under regular review, with the SIP subject to review at least triennially. The policies were last reviewed in November 2022, following a change to the Fund’s investment strategy to de-risk the portfolio.

The Fund’s assets are invested in pooled funds and therefore the Trustee accepts that it has very limited ability to influence the ESG policies and practices of the companies in which the managers invest. The Trustee therefore relies on the policies and judgement of the investment managers.

The Trustee expects the investment managers to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to investments and engagement activities in accordance

with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee recognises that as a large proportion of the Fund's assets are invested in passive pooled funds, this limits the investment managers' ability to take active decisions on whether to hold securities based on the investment managers' considerations of ESG factors, including climate change.

Nonetheless, the Trustee can confirm that it has acted in accordance with the SIP in relation to voting and engagement activities over the Fund Year.

Fund's Investment Structure

The Fund's main investment is a Trustee Investment Policy ("TIP") with Mobius Life Limited ("Mobius"). Mobius provides an investment platform and enables the Fund to invest in pooled funds managed by third party investment managers. As such, the Trustee has no direct relationship with the Fund's underlying investments managers. However, the Trustee has the responsibility of monitoring the pooled funds, in conjunction with advice received from its investment advisor, Mercer.

Trustee Engagement

Over the Fund Year, the Trustee has not directly engaged with the pooled investment managers on matters pertaining to ESG, stewardship or climate change. The engagement initiatives are driven by the investment managers, mainly through regular engagement meetings with the companies in which they invest.

However, the Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers:

- The Trustee receives quarterly performance reports from Mercer, and these include Mercer's ratings (both the general and ESG specific ratings) for the funds in which the Fund is invested.
- The Trustee reviews the ESG ratings of funds when undertaking an investment strategy review.
- Mercer will notify the Trustee of changes in ESG ratings of the funds in which the Fund invests.

This enables the Trustee to monitor the development of the ESG scores and determine whether further action should be taken in respect of specific funds.

Taking all the above into consideration, the Trustee is satisfied that responsible investment is embedded appropriately in the investment managers' approaches to investing and are satisfied that Mercer's ESG scores for the Fund's current holdings are satisfactory.

An ESG report appended to this Statement, which sets out a summary of the key engagement activity of the pooled funds.

Voting Activity

The Fund disinvested from pooled funds with exposure to equities and therefore no longer holds assets with voting rights. As such, whilst the Trustee monitors manager engagement, it does not assess any form of voting information as it is not applicable to the Fund's investments.