

Banctec Limited Retirement Benefits Scheme Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance ("ESG") factors and climate change set out in the Statement of Investment Principles ("SIP") have been followed during the year to 30 June 2023. This statement has been produced in accordance with The Pension Protection Scheme (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustees' primary investment objective 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' secondary objective is to achieve a sufficient level of funding which then allows them to secure the liabilities of the Scheme with an insurance company.

In doing so, the Trustees also aim to maximize returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme. The objectives set out above provide a framework for the Trustees when making investment decisions.

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.

Scheme's Investment Structure

The Scheme has a Trustee Investment Policy ("TIP") with Mobius Life Limited ("Mobius") and an additional off platform holding with Baillie Gifford. Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. The Trustees, with advice from their investment consultant, Mercer, are responsible for the selection and removal of the Scheme's pooled funds.

Policy on ESG, Stewardship and Climate Change

The Scheme SIP includes the Trustees' policy on Environmental, Social and Governance ("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 policy in question was last approved in June 2023.

The Trustees believe that environmental, social, and corporate governance 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 Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Scheme also has allocations to credit assets within which, whilst ESG issues are still relevant to risk control, there is less opportunity to influence investee company behaviour compared to equity holdings, although where relevant managers are encouraged to use their position as lenders of capital to engage with companies.

The Trustees have given the appointed investment managers full discretion in exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Engagement

In the relevant year the Trustees have not engaged with either Mobius, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees, with help from their investment consultant, review the stewardship and ESG policies of the fund managers periodically.

The Trustees are working with their investment consultant, Mercer, to consider actions that can be taken to engage with their underlying fund managers going forward. This includes the inclusion of ESG specific ratings within biannual performance reporting (with ratings derived by the investment consultant) and this will help to determine whether further action should be taken in respect of specific funds.

Performance reports provided on a bi-annual basis include fund specific ESG ratings.

Voting Activity

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 Trustees define a significant vote as one that is linked to the Scheme's stewardship priorities/themes. In this instance, the Trustees are comfortable with aligning to the underlying manager's voting priorities. 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 Trustees.

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

BMO – Nominal and Real Dynamic LDI

Due to the LDI Nominal Dynamic LDI Fund and LDI Real Dynamic LDI not having any underlying equity holdings, the Trustees are not eligible to vote at company meetings.

BMO – Equity- Linked Nominal and Real Dynamic LDI

Due to the equity exposure of these funds being obtained synthetically through the use of equity futures, the Scheme does not hold shares in the underlying companies and so the Trustees are not eligible to vote at company meetings.

Stone Harbor - Multi-Asset Credit Portfolio

Due to the Multi-Asset Credit Portfolio not having any underlying equity holdings, the Trustees are not eligible to vote at company meetings.

Investment Manager Voting Summary

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes cast	Votes against management endorsement	Abstentions		
Baillie Gifford – Diversified Growth Fund	Whilst Baillie Gifford are cognizant of proxy advisers' voting recommendations (ISS and Glass Lewis), BG do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. BG vote in line with our in-house policy and not with the proxy voting providers' policies. BG also have specialist proxy advisors in the Chinese and Indian markets to provide BG with more nuanced market specific information.	746 (out of 764 eligible)	2.55%	0.67%	The list below is not exhaustive, but exemplifies potentially significant voting situations: — Baillie Gifford's holding had a material impact on the outcome of the meeting — Management resolutions that receive 20 per cent or more opposition in the prior year — Egregious remuneration — Controversial equity issuance — Shareholder resolutions that received 20 per cent or more support from shareholders in the prior year — Where there has been a significant audit failing — Mergers and acquisitions — Where Baillie Gifford have opposed the financial statements/annual report — Where Baillie Gifford have opposed the election of directors and executives — Where Baillie Gifford identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management	Company: PRYSMIAN S.P.A. Summary of the resolution: Remuneration Vote: Against Rationale: Baillie Gifford opposed executive compensation because they do not believe the performance conditions for the long term incentive plan are sufficiently stretching. Outcome: Resolution failed to pass Implications: Baillie Gifford will re-iterate their expectation to the Company and monitor the evolution of pay going forward. Significance: Received greater than 20% opposition. Company: NEXTERA ENERGY, INC. Summary of the resolution: Shareholder Resolution - Governance Vote: For Rationale: Baillie Gifford supported a shareholder resolution requesting a board diversity and qualifications matrix because they believe that shareholders would benefit from individualised information on the skills and qualifications of directors, as well as disclosure on climate-related skills and qualifications. Outcome: Resolution failed to pass Implications: Baillie Gifford will communicate their decision to support the shareholder resolution with the company, and will explain their rationale for doing so. Baillie Gifford will monitor for any similar disclosure the company may choose to institute, as although the resolution failed to secure enough support to pass, it did receive support from more than 48% of shareholders. Significance: This resolution is significant because it received greater than 20% opposition.
Baillie Gifford – UK and Worldwide Equity Fund	As above	2,839 (out of 2,794 eligible)	2.54%	0.39%	As above	Company: TESLA INC. Summary of the resolution: Shareholder Resolution - Social Vote: Against Rationale: Baillie Gifford opposed the resolution requesting the company adopt a policy on freedom of association and collective bargaining. These rights are enshrined in the National Labor Relations Act and like any US company, Tesla must comply with the law and this is not a matter for company policy.

Outcome: Resolution failed to pass
Implications: While Baillie Gifford did not support this resolution, because they believe the company's policies sufficiently address workers' rights to organise, Baillie Gifford do continue to monitor Tesla's approach and engage with them on issues relating to employee rights. Human capital management, human rights and employee rights have been important themes in Baillie Gifford engagements with Tesla and will continue to be.
Significance: This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Company: WAYFAIR INC

Summary of the resolution: Employee Equity Plan

Vote: Against

Rationale: Baillie Gifford opposed the extension of the omnibus Stock Plan because they believe a number of the plan's features were in contravention to best practice.

Outcome: Resolution passed

Implications: Baillie Gifford opposed the extension of the omnibus Stock Plan due to concerns over several features, such as repricing opportunity, eligibility of NEDs to receive options that could impair their independence, and potential cash buyouts. Baillie Gifford communicated their concerns to the company before casting our vote.

Significance: This resolution is significant because Baillie Gifford opposed remuneration.
