

BANCTEC LIMITED RETIREMENT BENEFITS SCHEME (the 'Scheme') – 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 31 August 2020. 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.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on ESG factors, stewardship and climate change. The policies in question were last approved on 30 September 2020.

In order to establish these policies, the Trustees discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies at the Trustees' meetings of May 2019, October 2019 and June 2020. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Scheme's Investment Structure

The Scheme has a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. JLT Investment Management ('JLT IM') has fiduciary responsibility for the selection of pooled funds on the Mobius platform. As such, the Trustees have no direct relationship with underlying investment managers for the assets that are held on the Mobius platform.

Trustee Engagement

In the relevant year the Trustees have not engaged with either Mobius, JLT IM, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change.

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 potential inclusion of ESG specific ratings within performance reporting (with ratings derived by the investment consultant) in the coming year and this will help to determine whether further action should be taken in respect of specific funds.

Voting Activity

The Trustees delegate the responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers.

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 Schemes 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 next year's statement.

BMO - LDI

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

LGIM – Fixed Income Over 15Y

Due to the Fixed Income not having any underlying equity holdings, they are not eligible to vote at company meetings.

Scheme	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Baillie Gifford Diversified Growth	<i>Baillie Gifford do not use a proxy voter. However, they are cognisant of the recommendations made by proxy voters but ultimately vote inline with its in-house policies.</i>	750	6%	0.3%	No formal definition but would include; where Baillie Gifford's holding had a material impact on the outcome of the meeting, where the resolution received 20% or more opposition and Baillie Gifford are also opposed, where there has been a significant audit failing, where there has been egregious remuneration, a controversial equity issuance, where shareholder resolutions are issued receiving 20% or more support from shareholders including Baillie Gifford, where Baillie Gifford have opposed M&A activity, financial statements and the election of directors and executives.	<p>Covivio – Opposition to a proposed long term incentive scheme which could lead to rewarding under-performance. After the vote, Baillie Gifford informed Covivio of their voting decision and advised that they expected more stretching performance criteria to apply to long term incentives going forward. Baillie Gifford continue to enter in to dialogue with the company on this and will take appropriate voting action in the future.</p> <p>EDP Renovaveis – voted against the election of a director to the board due to lack of diversity.</p>
Baillie Gifford UK and W/Wide Equity Pension Fund	Whilst they are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of the stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. They vote in line with the in-house policy and not with the proxy voting providers' policies. They also have specialist proxy advisors in the Chinese and Indian markets to provide with more nuanced market specific information.	2430	2.47%	0.99%	<p>— Baillie Gifford's holding had a material impact on the outcome of the meeting</p> <p>— The resolution received 20% or more opposition and Baillie Gifford opposed</p> <p>— Egregious remuneration</p> <p>— Controversial equity issuance</p> <p>— Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders</p> <p>— Where there has been a significant audit failing</p> <p>— Where we have opposed mergers and acquisitions</p> <p>— Where we have opposed the financial statements/annual report</p> <p>— Where we have opposed the election of directors and executives.</p>	<p>British American Tobacco - They opposed the executive remuneration report and policy due to concerns regarding the potential size of the pay award.</p>