

Engagement Policy Implementation Statement (“EPIS”)

Banner Business Supplies Pension Scheme (the “Scheme”)

Scheme Year End – 31 December 2022

The purpose of this document is for Entrust Pension Limited, as Trustee of the Banner Business Supplies Pension Scheme, to demonstrate the actions taken during the Scheme year to achieve certain policies and objectives set out in the Scheme’s Statement of Investment Principles (“SIP”).

The contents of this EPIS includes:

1. How the Trustee’s policies in the Scheme’s SIP covering asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How the Trustee has exercised its voting rights or how these rights have been exercised on the Trustee’s behalf, including the use of any proxy voting advisory services and the ‘most significant’ votes cast over the Scheme year.

In preparing this SIP, the Trustee has used data from its fiduciary investment manager, Aon Investments Limited (“AIL”), for the 2022 calendar year.

Our conclusion

Based on the activity undertaken during the year, the Trustee is of the view that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme’s material investment managers were able to disclose adequate evidence of voting and engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

Aon Investments Limited (“AIL”), intends to write to these managers and communicate the Trustee’s expectations of improved disclosure going forwards.

We delegate the management of the Scheme’s assets to our Fiduciary Manager, AIL, and we are comfortable with the management and the monitoring of ESG integration and stewardship of the underlying managers that has been carried out on our behalf.

Summary of Our Engagement Action Plan

Not all underlying investment managers were able to provide all the engagement information requested by AIL and AIL will continue to engage with these managers to encourage improvements in their reporting. These issues are set out in the Trustee’s Engagement Action Plan.

How voting and engagement policies have been followed

The majority of the Scheme's assets are invested in pooled funds and so the responsibility for voting and engagement is delegated to the Scheme's underlying investment managers.

The Trustee has reviewed the stewardship activity of the material underlying investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose adequate evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers is set out in the following sections.

Responsible Investment (RI) policy development

The Trustee's RI policy was created following an exercise to collate the individual views of the Trustee's team with respect to different RI issues. The Trustee reviewed the conclusions from this exercise alongside the features of the Scheme and its investment arrangements to help it formally establish its RI views, beliefs and objectives. This exercise resulted in the establishment of a stand-alone RI policy by the Trustee. Throughout the year, the Trustee ensured the RI policy remained relevant and up to date.

Ongoing monitoring

The Trustee receives in depth portfolio updates from AIL at quarterly Trustee meetings, covering investment performance, portfolio positioning and topical updates, including ESG-related updates.

Each year, usually at one of its quarterly Trustee meetings, the Trustee reviews the annual stewardship report provided by AIL. This sets out detailed voting and engagement commentary for each underlying investment manager within the fiduciary investment portfolio and, alongside this EPIS, allows the Trustee to assess the actions taken by the AIL-appointed investment managers over the year.

Sponsor consultation

The Trustee believes that the views of the sponsor, where applicable, should be aligned to the Scheme's RI policy and objectives. The sponsor is consulted with any amendments to the SIP.

The Scheme's SIP, including the Trustee's stewardship policy, is also publicly available and can be found here: [Banner Business Supplies Limited Pension Scheme - Gateley \(gateleyplc.com\)](https://www.gateleyplc.com/Banner-Business-Supplies-Limited-Pension-Scheme)

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Trustee's Engagement Action Plan

Based on the work we have done for the EPIS, the Trustee, with AIL's support, aim to take the following steps over the next 12 months:

1. While Legal and General Investment Management Limited ("LGIM") and BlackRock did provide a comprehensive list on fund level engagements, which we find encouraging, they did not provide detailed engagement examples specific to the fund in which the Scheme is invested, as per the Investment Consulting Sustainability Working Group ("ICSWG") industry standard engagement reporting template and did not provide firm-level engagement information. AIL will continue to engage with these managers to encourage improvements in their respective engagement reporting.
2. Where there is an opportunity to do so, the Trustee will consider inviting underlying investment managers to its quarterly Trustee meetings to provide updates on their voting and engagement practices, and how these help the Trustee to fulfil its Responsible Investment policies.
3. The Trustee will look for opportunities to develop ESG monitoring of the underlying investment managers.
4. The Trustee will continue to undertake an annual review of the AIL stewardship report and evaluate how the underlying investment managers' Responsible Investment policies align with those of the Trustee.

What is the Engagement Action Plan?

In preparing the Engagement Policy Implementation Statement, AIL and the Trustee have discovered specific areas where they would like to see improvement over time.

The Engagement Action Plan sets out specific issues that AIL and the Trustee will look to address over the forthcoming year, as well ongoing commitments around ESG monitoring and reporting.

Our fiduciary manager's engagement activity

As set out in the Scheme's SIP, the Trustee invests the Scheme's assets in AIL's fiduciary management platform. Under this arrangement, the implementation of the Scheme's investment strategy is delegated to AIL, acting within parameters set by the Trustee.

The Scheme's assets may be invested in a combination of return-seeking funds as well as a bespoke hedging component which provides the Scheme with protection against changes in long-term interest rate and inflation expectations via a bespoke Liability Driven Investment (LDI) portfolio. The strategic allocation to each fund is determined by the target level of return, and target hedging of interest rates and inflation, set by the Trustee.

The underlying investment managers within each selected fund are appointed by AIL, based on AIL's best ideas and due diligence processes.

The Trustee delegates the monitoring of ESG integration and stewardship of the underlying managers to AIL. Over the year, AIL held several engagement meetings with the underlying managers in its funds. At these meetings, AIL discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers, and provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, AIL also engaged with the wider asset management industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, AIL committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

AIL is also a signatory to the 2020 UK Stewardship Code.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. However, the Trustee still retains responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the Trustee will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for the Scheme's material funds with voting rights for the year to 31 December 2022. Managers collate voting information on a quarterly basis. The voting information provided is for the year to 31 December 2022 which matches the Scheme year.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Legal and General Investment Management Limited ("LGIM") - Multi Factor Fund	11,634	99.7%	20.3%	0.2%

Source: Investment managers.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

	Description of use of proxy voting advisers
LGIM	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Investment managers.

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Aegon Asset Management ("Aegon") European Asset Backed Securities Fund	132	441	Environment - Climate change Social - Human and labour rights (e.g. supply chain rights, community relations), Inequality Governance - Board effectiveness - Independence or Oversight, Remuneration
Leadenhall Insurance Linked Securities	309	321	Environment - Climate change Governance - Board effectiveness – Diversity, Independence, or Oversight Strategy, Financial and Reporting - Capital allocation, Financial performance
Schroders plc – International Selection Fund ("ISF") Securitised Credit Fund	Not provided	>2800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness – Diversity, Board effectiveness - Independence or Oversight
BlackRock – Absolute Return Bonds Fund	391	Not provided	Environment-Climate Risk Management, Operational Sustainability Social-Human Capital Management, social Risks and Opportunities Governance-Remuneration, Sustainability Reporting
Robeco – Sustainable Development Goals Credit Income Fund	23	252	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Remuneration
LGIM – Multi Asset Credit	669	Not provided	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety). Governance - Board effectiveness – Diversity and Remuneration, and others.
LGIM – Multi Factor Equity Fund	279	Not provided	Environment - Climate change Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety), Inequality, Public health and Remuneration.

Source: Investment managers. The following managers did not provide fund level themes; themes provided are at a firm-level:

- Schroders

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Schroders did not provide the engagement information requested however it did provide a detailed breakdown of its policy for engaging on securitised products, with some examples of engagement at a firm level. Given the nature of the investment mandates within the fund managed by Schroders, the Trustee, supported by AIL, is of the view that this does not require further engagement.
- LGIM and BlackRock did provide fund level engagement information but not in the industry standard template. Additionally, the managers did not provide any firm level engagement information.

The Trustee will work with AIL to engage with the managers to encourage improvements in their reporting.

This report does not include commentary on the Scheme's investments in cash and gilts because of the limited materiality of stewardship to these asset classes. Furthermore, this report does not cover any additional voluntary contributions ("AVCs").

Appendix – Significant Voting Examples

In the table below is a significant vote example provided by one of the Scheme's underlying investment managers. The Trustee considers a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, one of which is outlined in the example below

LGIM Factor Equity Fund	Company name	Eli Lilly and Company
	Date of vote	02-May-2022
	How the manager voted	LGIM voted in favour of the shareholder resolution (management recommendation: against).
	Did the manager communicate its intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Summary of the resolution	Resolution 7 - Require Independent Board Chair
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	~0.9%
	Outcome of the vote	Fail
	Rationale for the voting decision	Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	Criteria on which the vote is considered significant?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Source: Investment managers.