

# Engagement Policy Implementation Statement (“EPIS”)

## BNP Paribas Real Estate (UK) Pension Fund (the “Scheme”)

### Scheme Year End – 31 March 2023

The purpose of the EPIS is for us, the Trustee of the BNP Paribas Real Estate (UK) Pension Fund, to explain what we have done during the year ending 31 March 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”).

It includes:

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

### Our conclusion

**Based on the activity we have undertaken during the year, we believe that our stewardship policy (as set out in the SIP) has been implemented effectively.**

In our view, the Scheme’s investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by our managers align with our expectations regarding stewardship, and that our voting rights have been exercised effectively on our behalf.

Some of our investment managers provided us with high-quality engagement information that was sufficient for us to deduce that the policies in our SIP had been implemented effectively, however, others were unable to provide the information requested. While some of this is due to a lack of applicability of stewardship to the specific asset classes, there are still areas where we would like to see additional details and transparency. We, with the support of our investment adviser, will engage with the managers to set expectations regarding the availability of information in future. Further detail is set out in our engagement action plan.

Our engagement action plan outlines our commitment to continue to engage with our managers and carry out more detailed ESG monitoring of them.

## How voting and engagement policies have been followed

The Scheme is invested in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity.

As part of this year's reporting process, we have also chosen to adopt **climate change** as a stewardship priority for the Plan. This has been chosen because we believe climate change has the potential to negatively impact the value of investments held if not understood and evaluated properly. Therefore, it is in the best interests of our beneficiaries for climate change issues and risks to be properly understood, and where possible mitigated, by the Plan's appointed investment managers through their stewardship activity.

More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis. In particular, we completed an annual review of each manager's approach to ESG, including the approach of the underlying funds managers. Further to this, the Trustee and company received training surrounding best practice for ESG to further understand how it may impact the Scheme's investment strategy.

Each year, we review the voting and engagement policies of the Scheme's investment managers to ensure they align with our own policies for the Scheme and help us to achieve them.

The Scheme's stewardship policy can be found in the SIP:  
<https://www.bnppfinalsalaryuk.com/wp-content/uploads/2023/04/bnp-paribas-real-estate-uk-pension-fund-sip.pdf>

## Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. While Legal and General Investment Management ("LGIM") provided a comprehensive list of fund-level engagement, which we find encouraging, these examples did not give as much detailed as required by the Investment Consultants Sustainability Working Group ("ICSWG") engagement reporting template, which our investment adviser considers to be industry standard. LGIM also did not provide firm-level engagement information. Our investment adviser will engage with the managers on our behalf to better understand their engagement practices and discuss the areas which are behind those of their peers.
2. BlackRock did not provide any engagement information regarding its fund that the Scheme invests in, stating that it the fund is not in the scope for ESG reports. Again, our investment adviser will engage with BlackRock on our behalf regarding the provision of this information in future.
3. Systematica did not provide any voting data, stating that since it is a hedge fund and only invests in derivatives, that voting rights are not

## 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*

relevant to the fund. However, they also did not provide did not provide any detailed fund level engagement information. Our investment adviser will engage with Systematica on our behalf regarding the provision of this information in future.

## 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 fund with voting rights for the year to 31 March 2023

	<b>Number of resolutions eligible to vote on</b>	<b>% of resolutions voted</b>	<b>% of votes against management</b>	<b>% of votes abstained from</b>
<b>LGIM Future World Fund</b>	25,282	99.8%	18.8%	0.4%

Source: LGIM

### 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 manager uses proxy voting advisers.

	<b>Description of use of proxy voting adviser</b> <i>Wording provided directly by manager</i>
LGIM	"LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) '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: LGIM

### 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.

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment manager 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. Where possible, we have focussed on votes that have relevance to climate change, in line with our stewardship priorities.

## 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 manager. The manager has 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.

Where engagement activity related to our stewardship priority of climate change, we have highlighted this in **bold text**.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
<b>LGIM Future World Fund</b>	432	Not provided	<b>Environment - Climate change,</b> 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, Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Strategy, Financial and Reporting- Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, and others.
<b>BlackRock Corporate Bonds</b>	<i>Not provided. BlackRock states the Corporate Bond Fund is not in the scope for ESG reports</i>		
<b>Systematica Alternative Risk Premia Fund</b>	Not provided	2	Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)

Source: Managers.

Systematica did not provide fund level themes; themes provided are at a firm-level

## Data limitations

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

- LGIM did provide a comprehensive list on fund level engagements, but they did not provide detailed engagement examples specific to the fund in which we are invested and also did not provide any firm level engagement data.
- BlackRock did not provide any stewardship information, stated that the fund we invest in is not in scope for ESG reports.
- Systematica did not provide any fund level engagement information

Our investment adviser will engage with the managers on our behalf to encourage improvements in reporting.

This report does not include commentary on the Scheme's liability driven investments, gilts or cash investments because of the limited materiality of stewardship to these asset classes.

## Appendix – Significant Voting Example

In the table below is a significant vote example provided by the Plan's relevant equity manager. We consider a significant vote to be one which the manager considers significant, in particular those related to climate change (our chosen stewardship priority). Managers use a wide variety of criteria to determine what they consider a significant vote, an example of which is outlined in the example below.

<b>LGIM Future World Fund</b>	<b>Company name</b>	Alphabet Inc.
	<b>Date of vote</b>	1-June-2022
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	2.2%
	<b>Summary of the resolution</b>	Report on Physical Risks of Climate Change
	<b>How you voted</b>	For
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	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.
	<b>Rationale for the voting decision</b>	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	<b>Outcome of the vote</b>	Fail
	<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Source: LGIM