

HOLOPHANE RETIREMENT BENEFIT SCHEME

Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 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 they have set. As set out in the SIP, the Trustees' primary investment objective for the Scheme 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 wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustees recognise that the investment performance of the Scheme's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the sponsoring employer's ability and/or willingness to continue to support the Scheme.

With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Scheme benefits as they fall due and avoid any reduction in benefits if possible
- To achieve and maintain a funding level of 100% on the on-going funding basis
- To minimise risk in achieving and maintaining a 100% funding level on the on-going funding basis subject to acceptable affordability
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

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.

Investment Strategy

During the course of the financial year, the Trustees reviewed the investment strategy and agreed to:

- Adjust the split between global and emerging market equities.

- Reduce the allocation to DGFs.
- Introduce an equity-linked LDI strategy.
- Increase the allocation to existing nominal and real LDI funds.
- Increase the allocation to Multi-Asset Credit and Absolute Return Bonds.

The Trustees implemented the revised investment strategy in early 2022 and therefore greater detail regarding these changes will be provided in next year's Engagement Policy Implementation Statement.

Review of the SIP

The Scheme's SIP was updated in September 2020 and reviewed again and updated post the implementation of the revised investment strategy, which took place in early 2022.

Turnover Rates and Manager Costs

The data in the below table has been provided by Mobius Life as at 31 December 2021. In Mercer's view, the amount of turnover and turnover costs appear reasonable.

Fund	Turnover Rates (%)	Manager Costs (%)
Ninety One Global Total Return Credit Fund	66%	0.75%
L&G Life KY World Equity Index Fund — GBP Currency Hedged	0.01%	0.03%
L&G Life DB World Equity Index Fund	0.13%	Nil
Pictet Multi Asset Portfolio	79.6%	0.3%
JPM Emerging Markets Opportunities Fund	24.5%	0.4%
BMO LDI Nominal Dynamic LDI Fund ¹	N/A	N/A
BMO LDI Real Dynamic LDI Fund ¹	N/A	N/A
BG IF Diversified Growth Fund ²	N/A	N/A

Payden Absolute Return Bond Fund ³	1.59%	N/A
ML Vontobel Global Equity Life Fund	49%	0.12%

¹ At the time of writing, BMO have confirmed this is not applicable for the fund.

² Baillie Gifford does not typically calculate a turnover ratio for multi asset portfolios as the higher usage of derivatives and the use of underlying Baillie Gifford and external funds would make the turnover calculation more complex and less meaningful.

³ At the time of writing, Payden manager cost information is unavailable.

Scheme's Investment Structure

The Scheme is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with and monitoring investee companies as well as exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

Mercer's Manager Research Team ("MMRT") receives regular reporting from the underlying investment managers / funds that includes information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund investors. If required, MMRT will raise any concerns directly with the investment manager and notify the Trustee if appropriate.

The Trustees, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. If the Trustee has any concerns, they will raise them with Mercer verbally or in writing.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustees' policy on ESG factors, Stewardship and Climate Change. The policies were last reviewed in September 2020. The Trustees keep its 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, JLT IM, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees review the stewardship and ESG policies of the Fund managers periodically.

Voting Activity

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

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 funds 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.

The table on the following page sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Baillie Gifford Multi Asset Growth Fund	Baillie Gifford do not use a proxy voter. However, they are cognisant of the recommendations made by proxy voters (ISS and Glass Lewis).	1357	46	2	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 — The resolution received 20% or more opposition and Baillie Gifford opposed — Egregious remuneration — Controversial equity issuance — Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders — Where there has been a significant audit failing — Where they had opposed mergers and acquisitions — Where they had opposed the financial statements/annual report — Where they had opposed the election of directors and executives.	Baillie Gifford have provided a number of examples. These were predominantly where Baillie Gifford had voted against remuneration reports, changes in authority to issue equity and changes in incentive plans. For example, Vonovia SE, the manager voted against the proposed amendment of share capital because changing the authority to issue equity could lead to dilution levels which were not in the interests of the shareholders.
JP Morgan Emerging Markets Opportunities Fund	ISS – to receive meetings notifications, provide company research and process its votes	1217	62	26	JP Morgan defines “significant” votes as votes where they are a major shareholder in their portfolios, where the vote is likely to be close or contentious or where there may be potential material consequences for their clients. They would also include certain categories of shareholder proposals, and votes in relation to companies or issues identified on their Focus list for engagement as potentially significant votes.	JP Morgan have provided a number of examples. These were mostly where JP Morgan had voted against election of a director or issuance of equity or equity – linked securities without pre-emptive rights. For example, Reliance Industries Ltd., JP Morgan voted against an election of a director, as there were concerns about the independence of the director.

ML Vontobel Global Equity Life Fund	ISS – to place and store all of our votes as well as provide proxy vote-related research	828	115	0	They regard significance as a balance between: 1) Weight held within the portfolio, 2) Aggregate holding across our portfolios as a proportion of a company's outstanding shares (across portfolios managed by Vontobel's Quality Growth boutique), and 3) Potential impact to long-term shareholder value from a proposal. Votes are aimed at aligning shareholder interests with those of the management teams to deliver sustainable long-term growth.	Mastercard - a vote "against" an adjustment of executive compensation. Vontobel believed that as most executives are highly compensated for their roles, their value compensation should not be immune to external economic forces any more so than other employees of the company.
Pictet Multi Asset Fund	ISS – for research and voting execution	615	59	0	Pictet considers a vote to be significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or Pictet holds an important stake in the company.	<p><i>Square Inc</i> – a vote "for" the recapitalization plan for all stock to have one-vote for share. This conveys to the board non-affiliated shareholders' preference for a capital structure in which the levels of economic ownership and voting power are aligned.</p> <p><i>Rio Tinto</i> – a vote 'against' this resolution as the company has allowed the former CEO to retain a significant proportion of his outstanding LTIP awards, subject to pro-rating and performance. Recent failures in risk oversight led to "catastrophic environmental events" which had a material effect on reputation.</p>
LGIM World Equity Index Fund	<p>ISS – as voting platform and to supplement LGIM own research.</p> <p>IVIS – used to complement research reports received from ISS for UK companies.</p>	31,697	6010	257	In determining significant votes, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to: <ul style="list-style-type: none"> • High profile vote which has such a degree of controversy 	<p>LGIM have provided a number of examples. We show some of these examples below:</p> <p>JP Morgan Chase & Co. - a vote 'against' the election of a director as there were concerns</p>

that there is high client and/ or public scrutiny;

- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

about the separation of the role of CEO and board member.

Nvidia Corporation –a vote ‘against’ a resolution to elect a director as the manager sees gender diversity as a financially material issue for our clients, with implications for the assets they manage on the clients behalf.

Yandex NV – LGIM voted “against” the resolution to adopt financial statements and statutory reports. The company did not comply with the minimum standards regarding climate risk management and disclosure

**LGIM World
Equity Index
Fund (GBP
Hedged)**

31,697 6010 257

Notes: ISS = Institutional Shareholder Services Inc.
IVIS = Institutional Voting Information Service