

## Implementation Statement

# Mersen UK Portslade Limited Pension and Assurance Scheme (the “Scheme”)

### Scheme year ended 4 April 2021

This statement sets out how the Trustees’ policy on engagement have been followed over the year to 4 April 2021. However, the data included in this statement covers the one year period to 31 March 2021.

### How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.

Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers’ general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustees from time to time, taking into account the financial interests of the beneficiaries. The Trustees also expect the investment managers to have engaged with companies in relation to ESG matters, and to take these into account in the selection, retention and realization of investments where appropriate.

The Trustees review the stewardship and engagement activities of the current managers from time to time. No formal review was undertaken during the year and no remedial action was taken during the period.

Periodically, the Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with their own policies, alongside preparation of the Implementation Statement.

Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

**Prepared by the Trustees of the Mersen UK Portslade Limited Pension and Assurance Scheme**

**August 2021**

## Voting undertaken on behalf of the Trustees

Voting only applies to equities held in the portfolio. The Scheme's equity investments are held in pooled equity funds managed by Legal & General Investment Management (LGIM). The use of pooled funds means that there is limited scope for the Trustees to influence voting, which is carried out by the fund manager on behalf of the Trustees.

The table below provides a summary of the voting activity undertaken by LGIM during the year. LGIM employ Institutional Shareholder Services (ISS) and may use proxy voting advisors.

Manager	LGIM	LGIM
<b>Fund name</b>	LGIM UK Equity Index	LGIM World (ex UK) Equity Index (GBP hedged and non-hedged funds)
<b>Structure</b>	Pooled	
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
<b>Number of company meetings the manager was eligible to vote at over the year</b>	943	3,243
<b>Number of resolutions the manager was eligible to vote on over the year</b>	12,574	37,840
<b>Percentage of resolutions the manager voted on</b>	100.00%	99.83%
<b>Percentage of resolutions the manager abstained from</b>	0.0%	0.60%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	92.94%	80.25%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	7.05%	19.16%
<b>Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor</b>	0.80%	0.27%

## Significant votes

For the first year of implementation statements we have delegated to the investment manager(s) to define what a “significant vote” is. A summary of the data they have provided is set out below.

### LGIM UK Equity Index

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	International Consolidated Airlines Group	Barclays	SIG plc.
<b>Date of vote</b>	7 September 2020	7 May 2020	9 July 2021
<b>Summary of the resolution</b>	Approve Remuneration Report that was proposed at the company’s annual shareholder meeting held on 7 September 2020.	Approve Barclays’ commitment in tackling climate change resolution and approve ShareAction requisitioned resolution.	Approve one-off payment to the interim CEO, Steve Francis, proposed at the company’s special shareholder meeting held on 9 July 2020.
<b>How the manager voted</b>	LGIM voted against the resolution.	LGIM voted for both resolutions	LGIM voted against the resolution.
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
<b>Rationale for the voting decision</b>	Given the COVID-19 crisis and its consequences on international transport and negatively impacting the company’s financial performance. LGIM encourage the board to demonstrate restraint and discretion with its executive remuneration, particularly given the company announced a 30% cut to its workforce.	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.	The one-off payment was outside the scope of their remuneration policy and on top of Steve’s existing remuneration. LGIM does not generally support one-off payments, particularly given the size of the additional payment was a concern particularly when the company’s liquidity position was so poor that it risked breaching covenants of a revolving credit facility.

<p><b>Outcome of the vote</b></p>	<p>28.4% of shareholders opposed the remuneration report.</p>	<p>First resolution supported by 99.9% of shareholders Second resolution supported by 23.9% of shareholders.</p>	<p>The resolution passed. However, 44% of shareholders did not support it. LGIM believe that with this level of dissent the company should not go ahead with the payment.</p>
<p><b>Implications of the outcome</b></p>	<p>LGIM will continue to engage closely with the renewed board.</p>	<p>LGIM plan to continue to work closely with the board and management team to develop their plans. LGIM will continue to liaise with ShareAction and other investors to drive positive change.</p>	<p>LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.</p>
<p><b>Criteria on which the vote is considered “significant”</b></p>	<p>LGIM considers this vote significant as it illustrates the importance for investors of monitoring invested companies’ responses to the COVID crisis.</p>	<p>Since the beginning of the year there has been significant client interest in LGIM’s voting intentions and engagement activities in relation to the 2020 Barclays AGM.</p>	<p>LGIM consider this vote to be high-profile and controversial.</p>

## LGIM World (ex. UK) Equity Fund & World (ex. UK) Equity (GBP hedged and non-hedged)

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Whitehaven Coal	Lagardère	Medtronic plc
<b>Date of vote</b>	22 November 2020	5 May 2020	11 December 2020
<b>Summary of the resolution</b>	Shareholders asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).	Advisory Vote to ratify named executive officers' compensation.
<b>How the manager voted</b>	LGIM voted for the resolution.	LGIM voted in favour of five of the Amber-proposed candidates and voted off five of the incumbent directors.	LGIM voted against the resolution.
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics		
<b>Rationale for the voting decision</b>	LGIM believe the role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.	Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. LGIM engaged with both Amber Capital and Lagardère. This allowed LGIM to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as they are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM LGIM engaged with the company and clearly communicated their concerns over one-off payments.

<p><b>Outcome of the vote</b></p>	<p>The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favor. As the company is on LGIM's Future World Protection List of exclusions, many of their ESG-focused funds were not invested in the company.</p>	<p>Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)</p>	<p>The resolution passed with 91.7% of votes.</p>
<p><b>Implications of the outcome</b></p>	<p>LGIM will continue to monitor this company.</p>	<p>LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term.</p>	<p>LGIM will continue to monitor this company.</p>
<p><b>Criteria on which the vote is considered "significant"</b></p>	<p>The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.</p>	<p>LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.</p>	<p>LGIM believe it is contrary to best practice in general and their pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.</p>

## Fund level engagement

The investment manager may engage with their investee companies on behalf of the Trustees. The table below provides a summary of the engagement activity undertaken by LGIM during the year.

### Data Limitations

Information relating to fund level engagement policies was requested from LGIM. The data was provided at a firm level, rather than at fund level. The Trustees' investment consultants are working with LGIM to improve the depth of the information provided in the requested format.

Manager	LGIM
<b>Fund name</b>	UK Equity World (ex UK) Equity World (ex UK) Equity GBP Hgd Managed Property Buy and Maintain Credit Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	This information was not provided by the manager
<b>Number of engagements undertaken at a firm level in the year</b>	974
<b>Examples of engagements undertaken with holdings in the fund</b>	<p>LGIM were involved in a plethora of different engagement topics, with the most common being:</p> <ul style="list-style-type: none"> <li>• Remuneration;</li> <li>• Climate change;</li> <li>• Diversity; and</li> <li>• COVID-19.</li> </ul> <p>This is clear for the various equity funds as shown by their significant votes, a lot of which centred around remuneration and climate change in particular.</p>