

Implementation Statement

Mersen UK Portslade Limited Pension and Assurance Scheme

Purpose of this statement

This implementation statement has been produced by the Trustees of the **Mersen UK Portslade Limited Pension and Assurance Scheme (“the Scheme”)** to set out the following information over the year to **5 April 2023**:

- how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The voting behaviour is not given over the Scheme year end to 5 April 2023 because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2023.

Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) in force at March 2023 describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in March 2023 and has been made available online here: [Statement of Investment Principles \(mersen.co.uk\)](https://www.mersen.co.uk/statement-of-investment-principles)

Given the Scheme’s time horizon to buy-out and that the Scheme’s invested assets do not have any voting rights, the Trustees have taken a pragmatic approach to setting stewardship priorities, seeking to adopt engagement policies that align with their investment managers. The Trustees also review the stewardship and engagement activities of the investment managers annually.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme’s investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- 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.
- 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.
- Annually the Trustees receive and review voting information and engagement policies from both the asset managers and our investment advisors, which we review to ensure alignment with our own policies. The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members' best interests.

**Prepared by the Trustees of the Mersen UK Portslade Limited Pension and Assurance Scheme
September 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to 31 March 2023. The property, cash, gilts, and credit funds with Legal & General have no voting rights and limited ability to engage with key stakeholders given the nature of the mandates.

Manager	LGIM	LGIM
Fund name	LGIM UK Equity Index	LGIM World (ex UK) Equity Index (GBP hedged and non-hedged funds)
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
No. of eligible meetings	733	3,008
No. of eligible votes	10,870	36,202
% of resolutions voted	99.9%	99.8%
% of resolutions abstained	0.0%	0.8%
% of resolutions voted with management¹	94.5%	77.6%
% of resolutions voted against management¹	5.5%	21.7%
Proxy voting advisor employed¹	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares	
% of resolutions voted against proxy voter recommendation	4.2%	15.1%

¹ As a percentage of the total number of resolutions voted on

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities or themes. At this time, the Trustees have not set stewardship priorities or themes for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees is yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities or themes.

LGIM have provided a selection of votes for each fund which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager that cover the largest holdings of companies within each fund.

LGIM – UK Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Rio Tinto Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.7%	3.0%	2.7%
Summary of the resolution	Approve the Shell Energy Transition Progress Update	Approve Net Zero - From Ambition to Action Report	Approve Climate Action Plan
How the manager voted	Against	For	Against
Rationale for the voting decision	<p>LGIM acknowledge the progress made by the company in the reduction of its emissions by 2023 and believe that Shell have demonstrated a commitment to a low carbon pathway. However, LGIM remain concerned for the plans of oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.</p>	<p>LGIM expects companies to set a credible transition strategy, consistent with the Paris goals. It is LGIM’s view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, they remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation.</p>	<p>LGIM recognise the progress the company has made reducing its emissions and committed capital to the company’s decarbonisation efforts. However, LGIM remain concerned with the absences of quantifiable targets for such a material component of the company’s overall emissions profile.</p>
Outcome of the vote	79.9% For	88.5% For	84.3% For
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered “significant”	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.		

LGIM – All World (ex. UK) Equity Index (GBP hedged and non-hedged funds)

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Alphabet Inc.	Meta Platforms, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.9%	1.2%	0.8%
Summary of the resolution	Elect Director Daniel P. Huttenlocher	Report on Physical Risks of Climate Change	Require Independent Board Chair
How the manager voted	Against	For	For
Rationale for the voting decision	LGIM voted against this proposal as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	LGIM voted in favour as LGIM expects companies to be taking sufficient action on the key issue of climate change.	LGIM voted in favour as LGIM expects companies to establish the role of independent Board Chair.
Outcome of the vote	93.3%	17.7%	16.7%
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	LGIM				
Fund name	LGIM – UK Equity Index	LGIM – All World (ex. UK) Equity Index (GBP hedged and non-hedged funds)	LGIM Managed Property	AAA-AA-A Bond Over 15 years	Buy and Maintain Credit
Number of engagements undertaken on behalf of the holdings in this fund in the year	328	477	33	37	165
Number of entities engaged on behalf of the holdings in this fund in the year	208	305	15	13	88
Number of engagements undertaken at a firm level in the year			1,088		

Examples of engagement activity undertaken over the year to 5 April 2023

LGIM: Capricorn – Governance Processes

What was the issue?

Capricorn was seeking to merge with other energy companies, and this raised concerns about the company's governance processes, given the potential negative impact such decisions would have on Capricorn's shareholders.

What did LGIM do?

LGIM voiced concerns over 2 mergers, one with Tullow Oil and the other with NewMed. LGIM have also supported the proposal to overhaul the board, requesting the deposition of seven directors, including the CEO, and the appointment of six new members instead.

Outcome

The EGM is due to take place at some point in 2023. LGIM will continue to engage in the issue and will report on any further actions.