

Heraeus Electro-Nite (UK) Ltd Retirement Benefit Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 December 2021

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustee 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) Regulations 2019 and the guidance published by the Pensions Regulator.

Trustee's Investment Objectives

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set.

The Trustee's 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.

In doing so, the Trustee aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustee also ensures that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Review of the SIP

During the year, the Trustee reviewed and amended the Scheme's SIP. The principal amendments were to reflect the changes made in the benchmark asset allocation following the implementation of a new investment strategy. Other changes were to reflect the formal arrangements in place between the Trustee and their adviser, Mercer, and minor changes to cashflow management. The revised SIP was adopted in November 2021.

Policy on ESG, Stewardship and Climate Change

The Trustee understands that it 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 Trustee's policies on ESG factors, stewardship and climate change. The policies were last reviewed in August 2020 when it received investment training on this topic and the Trustee intends to undertake further investment training in the coming year. The Trustee keeps its policies under regular review, with the SIP subject to review at least triennially.

The Trustee recognises that a proportion of the Scheme's assets are invested on a passive basis, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change. Nonetheless, the Trustee can confirm that it has acted in accordance with the SIP in relation to voting and engagement activities over the year under review.

Scheme's Investment Structure

The Scheme's main investment is via a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustee has no direct relationship with the Scheme's underlying investments managers. The Trustee has the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Engagement

In the year to 31 December 2021, the Trustee has not actively engaged with Mobius or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the performance monitoring reports produced by Mercer include ESG specific ratings of the funds held (with ratings derived by Mercer) and this will help to determine whether any further action should be taken.

Voting Activity

The Trustee has delegated their voting rights to the Scheme's investment managers. The Trustee has 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 that include physical equity holdings).

The Trustee notes that best practice in developing a statement on voting and engagement activity is evolving and will take on board industry activity in this area before the production of next year's statement.

The table on the following pages sets out a summary of the key voting activity over the financial year, based on information provided by the respective managers:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Threadneedle Multi Asset	ISS and Glass Lewis , Institutional Voting Information Service - for recommendations only.	4,141	7.15%	1.96%	Threadneedle consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.	<p>China Resources Land Limited - 09/06/2021</p> <p>Summary of the resolution: Authorize Reissuance of Repurchased Shares</p> <p>Voted: Against</p> <p>Rationale for the voting decision: Dilutive impact</p> <p>Outcome of the vote: Pass</p> <p>Implications of the outcome: Active stewardship (engagement and voting) continues to form an integral part of their research and investment process.</p> <p>On which criteria was this vote considered to be "significant"?: Vote against management</p>
Baillie Gifford Multi Asset	ISS and Glass Lewis – for research and recommendations only. Baillie Gifford makes its own voting decisions.	1,505	2.99%	0.53%	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	<p>Six Flags Entertainment Corporation</p> <p>Meeting Date - 05-May-2021</p> <p>Instruction - Against</p> <p>Voting Reason – Baillie Gifford opposed executive compensation for a multitude of reasons however their primary concern was the size of the long-term incentive award paid to the CEO. In light of COVID-19, when reviewing proposals relating to executive compensation they assess whether executive pay is aligned with the experience of employees and shareholders. They felt they could not justify supporting a sizeable long-term incentive award for</p>

					<ul style="list-style-type: none"> — Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders — Where there has been a significant audit failing — Where we have opposed mergers and acquisitions — Where we have opposed the financial statements/annual report — Where we have opposed the election of directors and executives. 	<p>the CEO, which was equal to the previous year, when framed against a background of company-wide salary reductions and employee lay-offs. They communicated their concerns to the company following the submission of their votes and they will continue to engage on their concerns. Although this proposal was passed, 41% of shareholders opposed it.</p>
LGIM Global Equity Fixed Weights (60:40) Index Fund - GBP Currency Hgd	Institutional Shareholder Services (ISS) – recommenda- tions only. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	34,597	17.00%	0.12%	<ul style="list-style-type: none"> — High profile vote which has such a degree of controversy 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 we note 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. 	<p>Shin-Etsu Chemical Co., Ltd. - 29/06/2021</p> <p>Summary - Resolution 3.1 Elect Director Saito, Yasuhiko</p> <p>Vote - LGIM voted against the resolution (management recommendation: for)</p> <p>Rationale - LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance and following a campaign on gender diversity in Japan in 2019, they decided to escalate their voting policy. In 2020, they announced they would be voting against all companies in the large-cap TOPIX 100 index that do not have at least one woman on their board. In 2021, they expanded the scope of our policy to vote against TOPIX Mid 400 companies that do not have at least one woman on the board.</p> <p>Outcome - 90.7% of shareholders supported the resolution.</p> <p>Implications - LGIM will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>

LGIM Global Equity Fixed Weights (40:60) Index Fund	Institutional Shareholder Services (ISS) – recommendations only. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	39,141	16.89%	0.65%	<ul style="list-style-type: none"> — High profile vote which has such a degree of controversy 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 we note 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. 	<p>NVIDIA Corporation - 03/06/2021</p> <p>Summary - Resolution 1g Elect Director Harvey C. Jones</p> <p>Vote - Against</p> <p>Rationale - LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, they expanded the scope of their vote policy to include all companies in the S&P 500 and the S&P/TSX. Their expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.</p> <p>Outcome: 94.2% of shareholders supported the resolution.</p> <p>Implications: LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>
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