

MTL Instruments Group Pension Scheme

Implementation Statement | Year to 5 April 2024

Introduction

This Implementation Statement has been prepared by the Trustee of the MTL Instruments Group Pension Scheme ("the Scheme") and sets out how the policies in the Trustee's Statement of Investment Principles (SIP), in particular those regarding the exercise of rights (including voting rights) and engagement, have been followed over the year to 5 April 2024. The information required for this statement is typically provided on a quarterly basis by investment managers, so this statement sets out data covering the year to 31 March 2024.

Due to the changes in the investment strategy in throughout the year, the Trustee has chosen to display both the information for the funds held under both the previous strategy, as well as those held under the revised strategy. This change in strategy is highlighted in the SIP, of which the Trustee's last review before 5 April 2024 was in March 2024. The SIP has been made available online.

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustee believes that its policies on voting and engagement have been followed over the year 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 investment managers.
- Annually the Trustee receives voting information and engagement policies from the asset managers, which is reviewed to ensure alignment with the Trustee's policies. The Trustee believes that the voting and engagement policies implemented by the asset managers on its behalf have been in the members' best interests, and no remedial action was required. This exercise was undertaken at the 8 August 2023 Trustee meeting.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee uses ESG ratings information provided by its investment consultant to assess how the Scheme's investment managers take account of ESG issues. As the Scheme transitioned its investment strategy over the year, the annual ESG monitoring will commence again in 2024.
- The Trustee obtained training on stewardship priorities in March 2024 to allow them to carefully select the most appropriate stewardship priorities for the Scheme.

Having reviewed the above in accordance with its policies, the Trustee is comfortable that the actions of the Scheme's investment managers is in alignment with the Scheme's voting and engagement policies.

How the SIP has been followed over the year

In the Trustee's opinion, the SIP has been followed over the year in the following ways:

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- The Trustee uses reports provided by their investment consultants to monitor the performance of the funds used on a quarterly basis, to ensure that the funds are meeting their stated objectives.

- The Trustee regularly reviews the ESG capabilities of the funds used as part of the annual monitoring process. As part of this process the Trustee uses ESG ratings provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues.
- Over the year leading up to 5 April 2024, the Plan underwent a significant change in investment strategy. This involved transitioning management from Baillie Gifford, Columbia Threadneedle, Legal and General, Morgan Stanley and Schroders to Insight and Troy Asset Management.

Stewardship policy

The Trustee's SIP in force at 5 April 2024 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. The Trustee has delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities, to the Scheme's investment managers.

Following a training session and consideration of a number of different themes, the Trustee has set the following stewardship priorities for the Scheme: climate and the environment, and diversity, equality and inclusion. The Trustee believe that these factors may be financially material for the Scheme.

In addition, the Trustee expect their relevant asset managers to be able to evidence their stewardship activity in this area which the Trustee will monitor annually. For example, by considering the voting and engagement activity of the asset managers. Therefore, this is also an area which the Trustee believe they can meaningfully monitor progress and engage with their investment manager over time.

Conclusion

The Trustee is comfortable that it has followed the policies in its SIP over the year to 5 April 2024. During the year ending 31 March 2024 the Trustee did not conduct its regular monitoring of the ESG integration, voting, and engagement policies of the funds used by the Scheme due to its transitional status across strategies. However, the Trustee did review voting and engagement fund data as part of the Implementation Statement in August 2023.

Having reviewed the information in this statement on voting and engagement activities over the year to 5 April 2024, the Trustee is comfortable that the actions of the Scheme's investment managers were in alignment with the Scheme's voting and engagement policies. This activity will be considered in more detail alongside a review of the voting, engagement and ESG integration policies as well as the ESG ratings provided by the Trustee's investment consultants as part of the Trustee's regular monitoring during the year.

**Prepared by the Trustee of the MTL Instruments Group Pension Scheme
August 2024**

Voting activity | Overview

A summary of the voting carried out by the Scheme's investment managers on behalf of the Scheme over the year to 31 March 2024 is shown below.

Below is a list of all the managers with voting rights over the year to 31 March 2024. In February 2024, the Scheme disinvested from Baillie Gifford, Morgan Stanley, Columbia Threadneedle and Schroders and implemented a revised investment strategy with Troy Asset Management and Insight. We have shown information for the managers under both strategies. For the avoidance of doubt the equity linked bond funds, fixed income, Liability Driven Investment (LDI) and cash investments held by the Scheme do not have voting rights attached and so are not shown in this table.

Manager	Baillie Gifford	Morgan Stanley	Schroders	Troy
Fund name	Multi Asset Growth Fund	Global Brands Fund	Diversified Growth Fund	Trojan Fund
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.			
Number of company meetings the manager was eligible to vote at over the year	51	34	1,109	14
Number of resolutions the manager was eligible to vote on over the year	517	563	14,566	273
Percentage of resolutions the manager voted on	91.5%	100%	93.9%	100%
Percentage of resolutions (as a % of the total number of resolutions voted on) that the manager:				
...abstained from	0.6%	0.2%	0.4%	5%
...voted <i>with</i> management	96.8%	89.5%	89.3%	10%
...voted <i>against</i> management	2.5%	10.3%	10.7%	85%
Does the manager use a proxy voting service?	No, all client voting decisions are made in-house.	Morgan Stanley vote based on its own proxy voting policies. In addition to research, Institutional Shareholder Services (ISS) provides vote execution, reporting, and record keeping services.	Yes, Schroders employ Glass Lewis who act as a one service provider for all proxy votes, as well as providing research.	Yes, ISS provide research as part of their role as a proxy advisor, and follow the custom voting policy agreed with Troy at the end of 2022.

Totals may not sum due to rounding

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 Trustee 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 / themes. The Trustee has set its stewardship priorities of climate and the environment, and diversity, equality and inclusion.

Each manager provided a selection of votes which they believe to be significant. For managers in which the Scheme remains invested, the Trustee has selected the votes that are most significant in line with the agreed stewardship priorities. Where the Scheme disinvested from a fund and the votes provided did not align to the Scheme's agreed stewardship priorities, the Trustee has taken the pragmatic approach of selecting 3 significant votes that cover a range of themes behalf of the Scheme.

Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	MONTEA NV	AMERICAN TOWER CORPORATION	REXFORD INDUSTRIAL REALTY, INC.
Date of vote	25/01/2024	24/05/2023	05/06/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.21	0.29	0.90
Summary of the resolution	Amendment of Share Capital	Appoint/Pay Auditors	Remuneration
How the manager voted	For	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	n/a	Yes	No
Rationale for the voting decision	Baillie Gifford supported two proposals related to the renewal of the authorisation to increase share capital, believing it is in the interest of shareholders for the company to have unfettered access to equity to exploit the current window of opportunity for external growth.	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. Baillie Gifford believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.	Baillie Gifford opposed the executive compensation policy as they do not believe the performance conditions are sufficiently stretching.
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	The company sought Baillie Gifford's opinions ahead of the shareholder meeting. They were supportive of the request for capital as it puts the company in a good position to exploit the	Baillie Gifford asked about plans to tender last year but did not receive a response. This year they decided to escalate their voting action to oppose the auditor and will continue to share their expectations with the company.	Following the AGM, Baillie Gifford contacted the company to explain their decision to oppose compensation for the second year in a row. Baillie Gifford asked the company to increase the

	Vote 1	Vote 2	Vote 3
	current window of opportunity for external growth.		stringency of their performance targets.
Criteria on which the vote is considered "significant"	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed the election of auditors.	This resolution is significant because it received greater than 20% opposition.

Morgan Stanley Global Brands Fund

	Vote 1	Vote 2	Vote 3
Company name	SAP SE	Abbot Laboratories	Philip Morris International Inc.
Date of vote	11/05/2023	28/04/2023	03/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.8%	3.3%	2.7%
Summary of the resolution	Approve Remueration Report	Require Independent Board Chair	Elect Director
How the manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No, MSIM does not share voting intentions with any parties internally or externally prior to the vote		
Rationale for the voting decision	Inadequate Disclosures	The company would benefit from independent board oversight.	Recommend against due to low diversity on board.
Outcome of the vote	Passed	Failed	Passed
Implications of the outcome	Morgan Stanley may engage on the topic if considered a financially material long-term ESG risk or opportunity.		
Criteria on which the vote is considered "significant"	MSIM considers a vote against management as potentially significant.		

Schroders Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	JPMorgan Chase & Co.	Netflix, Inc.
Date of vote	28 February 2024	16 May 2023	1 June 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided	Data not provided	Data not provided
Summary of the resolution	Report on Median Gender and Racial Pay Gap	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	Report on Climate Risk in Retirement Plan Options
How you voted	For	For	For
If the vote was against management, did you communicate your intent to the company ahead of the vote?	Schroders have not provided this at an individual level but have confirmed they may tell the company of their intention to vote against the recommendations of the board before voting, in particular if they are large shareholders or if they have an active engagement on the issue.		
Rationale for the voting decision	Shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives	The company was asked to produce a report disclosing how it intends to align its financing activities with its 2030 sectoral GHG emission reduction targets. Schroders welcomed additional disclosures that help better understand how the company is implementing its climate strategy.	Schroders welcome the company providing additional disclosure around how it is protecting its employee plan beneficiaries from climate risk particularly in its default retirement options.
Outcome of the vote	Fail		
Implications of the outcome	Schroder have not provided the implications of the outcome of the votes on an individual level, but they have confirmed if they think that the company is not sufficiently responsive to a vote or their other engagement work, they may escalate their concerns by starting, continuing or intensifying an engagement.		
Criteria on which the vote is considered "significant"	Schroder believes that all resolutions when they vote against the board's recommendations should be classified as a significant vote. These votes are also in line with the Trustee's stewardship priorities.		

Troy Asset Management | Trojan Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft	American Express	Agilent Technologies
Date of vote	7 December 2023	2 May 2023	14 March 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.0	1.30	1.1
Summary of the resolution	Report on Gender-Based Compensation and Benefits Inequities	Elect Director	Re-elect Director
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	N/A	Yes	Yes
Rationale for the voting decision	Troy voted against the shareholder proposal to report on gender-based compensation and benefits inequalities at Microsoft. The proposal sought to disclose financial support details based on gender, claiming inequalities for those not opting for abortion or gender transition. The board argued the proposal stemmed from animosity towards reproductive and gender-related health benefits. They emphasised Microsoft's commitment to pay equity, comprehensive pay gap reporting, and inclusive health benefits based on medical needs, rendering the proposal unnecessary.	Troy voted against Peter Chernin in his capacity as Chair of the Nominations, Governance and Public Relations Committee on account of the company having a joint CEO/Chair. The board is only 28% female which also warranted a vote against Peter Chernin.	Troy voted against the re-election of Koh Boon Hwee in his capacity as Chair of the Nominating and Corporate Governance Committee owing to the fact that the Board has less than 30% women.
Outcome of the vote	Rejected	Accepted	Accepted
Implications of the outcome	Troy will continue to vote in the best interests of investors and monitor future AGM resolutions.		
Criteria on which the vote is considered "significant"	Not provided	The resolution satisfied the criteria of materiality. In this case it was a governance factor and Troy voted against management.	The resolution satisfied the criteria of materiality. In this case it was a governance factor and Troy voted against management.

Fund level engagement

The sections below provide information on the engagement activity carried out by the Scheme's investment managers, and give examples of some of the activity undertaken during the year.

Engagement activities are limited for the Scheme's equity-linked bond funds, liquidity funds, and Liability Driven Investment (LDI) funds due to the nature of the underlying holdings, so engagement information for these assets has not been shown. However, where available we have shown information regarding firm-level engagements.

Below is a list of all the managers with voting rights over the year to 31 March 2024. In February 2024 the Scheme disinvested from Baillie Gifford, Schroders, Morgan Stanley, Columbia Threadneedle (CT) and Legal and General Investment Management (LGIM) and invested with Troy Asset Management and Insight.

Manager	Baillie Gifford	Schroders	Morgan Stanley	CT	LGIM
Fund name	Multi Asset Growth Fund	Diversified Growth Fund	Global Brands Fund	Equity Linked Bond Funds, Dynamic LDI Funds, Sterling Liquidity Fund	Active Corporate Bond Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	n/a	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	11	1,402	122	n/a	84
Number of engagements undertaken at a firm level in the year	748	6,530	551	1,424*	2,144

*CT provided firm level engagements for the year to 31 December 2023.

Manager	Troy Asset Management		Insight
Fund name	Trojan Fund	Liquid ABS	Maturing Buy and Maintain Credit
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	8	60-70	240
Number of engagements undertaken at a firm level in the year	37		2521

Engagement examples over the year to 31 March 2024

Baillie Gifford | EDP Renovaveis, S.A. -Social/Governance

Baillie Gifford, as a key investor in EDP Renovaveis, S.A. (EDPR), met with the company's CEO, Miguel Stilwell d'Andrade in May 2023. The Multi-Asset Team's Infrastructure Lead and ESG Analyst discussed how the political and regulatory environment has evolved over the past year, standout non-financial factors, and the impact of inflation on new projects. This meeting provided insights into the drivers behind EDPR's new business plan, which aims to accelerate renewable deployment, supported by a recent capital raise. Baillie Gifford was reassured by management's commitment that every new project must achieve a reasonable spread over the company's cost of capital before proceeding. They also shared their perspectives and gained insights into EDPR's community relations, health and safety record, and corporate culture.

Schroders | Ecora Resources – Climate and the environment

Schroders engaged with Ecora Resources on climate change, focusing on setting emissions reduction targets for Scopes 1, 2, and 3, aligning with their engagement blueprint and UN Sustainable Development Goal 13. Starting in 2022, Schroders' UK small and mid-cap team, along with sustainability colleagues, met with Ecora's management in November to discuss various climate issues and introduce the Science-Based Target initiative's (SBTi) small and medium-sized enterprise (SME) framework. Despite initial concerns about the suitability of this pathway, Schroders provided examples of peers who had successfully adopted it. By March 2023, Ecora had validated its near-term goals, committing to reduce Scope 1 and 2 emissions by 46% by 2030 from a 2019 base year and addressing Scope 3 emissions through partner engagement. Schroders considers this a successful initial engagement and will continue to promote best practices and monitor progress.

Morgan Stanley | SAP – Diversity, Equality and Inclusion

Morgan Stanley met with SAP's Chief Diversity & Inclusion Officer in Q2 2023 to discuss missed DEI targets and to understand their progress towards current goals. SAP narrowly missed its target of 30% women in management by the end of 2022, due to pandemic-related hiring curtailments. SAP is addressing this by focusing on internal development programs to promote female employees into management roles, aiming to meet their target by the end of 2023. Morgan Stanley also inquired about SAP's data disclosure practices and its ambitious goal to double the share of Black and African American employees in the U.S. Although progress on this front has been slow, SAP is working to improve self-identification and set more achievable targets. Morgan Stanley believes SAP's DEI strategy is on the right track, and will continue to monitor and encourage incremental progress.

CT (Firm Level) | Coal Phase out - Climate and the environment

Columbia Threadneedle is committed to phasing out coal as part of their climate strategy, addressing key environmental concerns aligned with the UN Sustainable Development Goals (SDGs) on Climate Action and Clean Energy. They focus on engaging coal-reliant companies to transition to renewable energy. This includes dialogues with companies like BHP, which has committed to closing its Mount Arthur coal mine by 2030, and Glencore, which has withdrawn from its Valeria coal project due to global uncertainties and net zero ambitions.

Their actions involve active ownership and proxy voting to support climate-related resolutions and the establishment of the Columbia Threadneedle Climate Institute, which integrates climate science and analytics into financial operations to drive sustainable finance. Moving forward, Columbia Threadneedle aims to continue engaging with companies to further reduce their carbon footprints and support the global transition to sustainable energy practices.

LGIM (Firm Level) | Volkswagen – Diversity, Equality and Inclusion

LGIM conduct all engagements at a firm level, and an example of this over the year is provided below.

Legal & General Investment Management (LGIM) has been actively promoting gender diversity in Japan through its collaboration with the Asian Corporate Governance Association (ACGA). This initiative aimed to address the underrepresentation of women in leadership roles. LGIM co-signed an open letter to the Japan Financial Services Authority (FSA) and the Tokyo Stock Exchange (TSE), advocating for stronger female representation in corporate governance.

This engagement influenced the Japanese Government's Gender Equality Bureau to announce the 2023 Main Policy for Women's Empowerment, setting targets to appoint at least one female officer by 2025 and increase female officer ratios to 30% by 2030. LGIM will continue to support and monitor these initiatives to promote gender diversity in Japanese companies.

Troy Asset Management (Firm-Level) | Royal Mint's Responsibly Sourced Physical Gold ETC – Climate and the environment

Troy Asset Management has actively promoted environmental sustainability through its investment in the Royal Mint's Responsibly Sourced Physical Gold Exchange Traded Commodity (ETC). This ETC, launched in 2020, is distinguished by its adherence to the London Bullion Market Association's (LBMA) Responsible Gold Guidance, holding 100% responsibly sourced gold and a significant portion of recycled gold.

Recycled gold is essential as it drastically reduces the environmental impact compared to new mining, which is energy-intensive and harmful to the environment. The Royal Mint aims to increase its use of recycled gold to 100% by 2030, a goal that aligns with Troy's commitment to responsible investing. This initiative exemplifies how Troy integrates high environmental and social standards into its investment strategies, ensuring that their gold investments contribute to a more sustainable and ethical financial system.

In support of this commitment, representatives from Troy visited the Royal Mint in Llantrisant, South Wales, to learn more about their sustainability journey and the gold recycling process. During the visit, they spoke with the Royal Mint's Head of Sustainability and a member of the Supply Chain Management team. These discussions highlighted the Royal Mint's ambitious targets and their innovative approaches to refining recycled gold, reinforcing Troy's advocacy for responsible sourcing practices.