

Lansing Linde (Blackwood) (1987) Pension Scheme (“The Scheme”)

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (‘SIP’) produced by the Trustee has been followed during the year to 31 December 2022.

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, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

In previous reporting periods, the Trustee produced an Implementation Statement for the Scheme due to its hybrid nature, encompassing both DB and DC sections. Following the transfer of the DC assets to a master trust in 2022, the Scheme has transitioned to being Scheme Assets only, rendering it no longer in scope to produce a full implementation statement. Consequently, the Trustee has prepared this Engagement Policy Implementation Statement for the year ending 31 December 2022.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- To invest the Scheme’s assets in such a manner that members’ benefit entitlements can be paid as and when they fall due.
- Over the long-term, to restore the Scheme’s least risk funding position. As the Scheme matures, this objective will increase in importance;
- Over the medium term, to consider an acceptable balance between contributions and investment returns towards achieving this goal;
- Over the short term, to consider the implications of adopting this investment strategy on the Scheme’s ongoing funding position and recommended contribution rate.

Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustee’s policy on Environmental, Social and Governance (‘ESG’) factors, stewardship and climate change. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in September 2020. Following the Scheme’s year-end, the Trustee reviewed the SIP to reflect changes made to the investment strategy during 2022 and 2023. As at 31 December 2022, the policies on ESG, Stewardship and Climate Change included in the SIP were considered to be in line with the Trustee’s view and Pension Scheme Regulations.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers, monitoring existing investment managers and retaining or withdrawing from investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered.

The following work was undertaken during the year to 31 December 2022 relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Details regarding the key voting and engagement activity conducted on behalf of the Trustee is set out below.

Engagement

UK Stewardship Code

- The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. Both of the Scheme's investment managers (Insight and Mercer) confirmed that they are signatories of the current UK Stewardship Code.

Review of Investment Managers

- The Scheme's investment performance report was reviewed by the Trustee on a quarterly basis – this report includes ratings (both general and specific to ESG) from the investment consultant. Where managers may not be highly rated from an ESG perspective the Trustee continues to monitor and engage with those managers. The investment performance report included how each investment manager delivered against their specific mandates.
- Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance, and in relation to passive management suitable levels of "tracking error" against a relevant benchmark.
- The Trustee seeks expert advice in relation to these appointments. This advice may consider factors such as the manager's idea generation, portfolio construction, implementation, business management, timeliness and quality of reporting, as well as the investment manager's approach to ESG and engagement activity, as they apply to the specific investment strategy being considered.

ESG Review

- The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. This applies to both equity and debt instruments.
- The Trustee has delegated the day to day management of a proportion of the Scheme assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. Mercer is expected to consider ESG factors in appointing managers to these portfolios. The underlying investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

- The Trustee has appointed Insight to manage the remainder of the assets. Insight are given discretion to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations in line with the requirements detailed above for the underlying investment managers.

Mercer and Insight have been asked to provide information on their approach to Engagement, which is summarised below.

Mercer Funds

The Trustee has appointed Mercer to act as discretionary investment manager in respect of a proportion of the Scheme's assets and such assets are invested in the Mercer ARFI fund managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Policy Updates

- The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, provide reporting to the Trustee on a regular basis.
- The Mercer Sustainability Policy is reviewed regularly. In March 2021 there was an update in relation to the Sustainable Finance Disclosure Regulation (SFDR) implementation. In August 2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Stewardship Policy to specifically address the requirements of the directive. This Policy was also updated in August 2022 to reflect enhancements made to Mercer's stewardship approach including an introduction of Engagement Dashboards and Trackers, an enhanced UN Global Compact engagement and escalation process and a Client engagement survey.

UN Principles of Responsible Investing scores for 2021 (based on 2020 activity) were issued over Q3 2022. Mercer were awarded top marks for over-the-arching Investment and Stewardship Policy section, underpinned by strong individual asset class results.

ESG Rating Review

- Where available, ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration and compares the Mercer funds overall ESG rating with the appropriate universe of strategies in Mercer's Global Investment Manager Database (GIMD). Engagements are prioritised with managers where their strategy's ESG rating is behind that of their peer universe.
- As at 31 December 2021, in the Annual ESG review provided by Mercer, the Trustee noted that 89% of Mercer Funds have an ESG rating equal to or above their asset class universe and 64% have seen an improved ESG rating over the past 4 years. Due to the nature of certain strategies, they do not have an ESG rating (i.e. are N rated) and are therefore excluded from

this review. Please see Mercer's Guide to ESG Ratings for more information <https://www.mercer.com/our-thinking/mercer-esg-ratings.html>

Approach to Exclusions

- As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.
- Controversial weapons are excluded from fixed income funds. In addition tobacco companies (based on revenue) are excluded from fixed income funds. The Mercer sustainability-themed funds have additional exclusions, for example covering gambling, alcohol, adult entertainment and fossil fuels.
- Mercer expanded exclusions to further promote environmental and social characteristics across the majority of the multi-client building block funds over the second half of 2022, in line with EU SFDR Article 8 classification, as well as aligning Mercer's existing active and passive exclusions across their fund range.
- In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, labour, environmental and corruption issues.

Diversity

- Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 30 September 2021 33% of the Key Decision Makers (KDM's) within Mercer IS team are non-male, and Mercer's long term target is 50%.
- Within the Fixed Income universe the average fund has 8% non-male KDM's. Figures relating to Mercer Fixed Income are currently slightly ahead at 9%.
- In Q3 2022 MGIE was confirmed as a signatory of the UK Chapter of the 30% Club.

Insight

Diversified Growth

Insight exercised its stewardship role through engaging with investee management and company boards to discuss governance, strategy and other relevant issues. During 2022, Insight had 34 engagements across all of the 11 direct holdings in the Fund. Additionally, they had four engagements with companies not held in the Fund.

Insight actively encourage the development of new ESG index-based instruments. This is achieved via engaging with market participants to launch new instruments, encouraging the adoption of ESG criteria to existing instruments, by being early-stage investors where appropriate and on an ongoing basis engaging with index providers to enhance ESG criteria.

A significant amount of the research effort is focused on seeking ESG screened exposures that can help deliver the return objectives in the long term.

Also, the societal shift towards lower carbon usage continues to present exciting growth opportunities in renewable power generation and related industries, for instance in energy efficiency. Insight engage with portfolio's listed infrastructure companies' investee management and boards to discuss governance, strategy and other relevant issues.

LDI

Over the year, Insight engaged actively on industry initiatives and regulation within the LDI sphere to represent the views of clients to key public bodies and effectively deliver better outcomes (as well as being committed to support clients with regulatory requirements).

Due to the nature of the LDI portfolio, there were no voting events, as shares are not held.

Buy & Maintain Credit

Insight stated that it engaged with the issuers of the portfolio positions held during the 12-month period to the end of December 2022, and that topics for engagement included environmental, social and governance. The manager has disclosed details on engagement activities over the year for all of the underlying maturing strategies, however, due to the nature of the Buy & Maintain credit portfolio, there were no voting events, as shares are not held.

Voting Activity

After the year-end date, the Trustee fully disinvested from all the holdings with voting rights, following a review of the investment strategy. For the purposes of this statement, the Trustee considers a significant vote as any vote relating to material holdings (a company that represented at least 5% of the year-end market capitalisation of any fund in which the Scheme was invested during the majority of the year), in each of the following thematic areas:

- Climate Change: including (but not necessarily limited to) low-carbon transition and physical damages resilience;
- Human Rights: including (but not necessarily limited to) modern slavery, pay & safety in the workforce and supply chains and abuses in conflict zones; and/or
- Diversity, Equity and Inclusion: including (but not necessarily limited to) equal pay, board equality, and inclusive & diverse decision-making.

Over the year, there were no votes that strictly fit the Trustees' definition of a significant vote, however, in the next section the Trustee highlights a few examples of votes deemed as significant by the investment managers, which align to the Trustee's priorities. The Trustee has delegated its voting

rights to the investment managers. If the Trustee is specifically invited to vote on a matter relating to a policy or contract held with any of the Scheme's investment managers, the Trustee will exercise its right in accordance with what they believe to be in the best interests of the majority of the Scheme's membership.

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The reports will be reviewed by the Trustee to ensure that they align with the Trustee's policy.

The voting policies of the managers have been considered by the Trustee and the Trustee deem them to be consistent with its own investment beliefs. The Trustee does not use the direct services of a proxy voter.

Over the last 12 months, some of the key voting activity on behalf of the Trustee was undertaken by Insight. A summary of their activity is shown below.

Insight – Diversified Growth

Insight retained the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it was deemed appropriate and responsible to do so. Minerva Analytics analysed any resolution against Insight-specific voting policy templates, which determined the direction of the vote.

Voting activity undertaken over the year is summarised in the table below for the Scheme's equity assets that are present in the Insight Broad Opportunities Fund.

Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management
14	169	100%	100% / 0%

Source: Insight. Figures subject to rounding.