Holophane Retirement Benefits Scheme ("the Scheme")

Annual Engagement Policy Implementation Statement

1. Introduction

This statement sets out how, and the extent to which, the Scheme's Engagement Policy has been followed during the year running from 1 January 2023 to 31 December 2023 (the "**Scheme Year**"). This statement has been produced in accordance with the 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 statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

This statement:

- sets out how, and the extent to which, in the Trustees' opinion, the Scheme's Engagement Policy has been followed during the year to 31 December 2023;
- describes any voting behaviour by, or on behalf of, the Trustees in respect of the Scheme during the Scheme Year.

This statement is based on, and should be read in conjunction with the Statement of Investment Principles ("SIP") dated May 2023. During the Scheme Year the SIP was updated in May 2023 to strengthen the wording regarding stewardship and reflect the latest strategic asset allocation of the Scheme . The SIP was further amended post the Scheme Year end in February 2024, following changes to the Scheme's strategy.

A copy of the latest SIP is available at:

https://www.holophane.co.uk/ProductData/PDFs/Holophane-Retirement-Benefits-Scheme-DB-SIP-Feb_2024.pdf

2. Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme, as set out in the SIP, are as follows:

The Trustees' 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.

The Trustees wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustees recognise that the investment performance of the Scheme's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the sponsoring employer's ability and/or willingness to continue to support the Scheme.

With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Scheme benefits as they fall due and avoid any reduction in benefits if possible;
- To achieve and maintain a funding level of 100% on the on-going funding basis;
- To minimise risk in achieving and maintaining a 100% funding level on the on-going funding basis subject to acceptable affordability;
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ("ESG") factors (including stewardship and climate change). This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in May 2023 where additional wording was added. The Trustees keep the policies under regular review with the SIP reviewed every year and/or immediately after any significant change in investment policy, or if required, following a formal strategy review.

The following two sections summarise the work undertaken during the Scheme 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 Scheme Year.

4. Assessment of how the engagement policy in the SIP has been followed for Scheme Year

The Trustee's policy is to delegate responsibility for engaging with and monitoring investee companies as well as exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

Mercer's Manager Research Team ("MMRT") receives regular reporting from the underlying investment managers / funds that includes information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund investors. If required, MMRT will raise any concerns directly with the investment manager and notify the Trustee if appropriate.

The Trustees, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. If the Trustees have any concerns, they will raise them with Mercer verbally or in writing.

Over the Scheme Year a number of changes were made to the investment strategy:

- During Q1 the Scheme fully disinvested its holding in the Baillie Gifford Diversified Growth Fund, following concerns regarding its past performance. The proceeds were invested into the LGIM Sterling Liquidity Fund.

- Following a £5m contribution from the Sponsor in Q3, further de-risking activity was implemented whereby the Scheme disinvested entirely from its remaining equity holdings, and implemented an interim strategic asset allocation pending the completion of an investment strategy review. The proceeds from the disinvestments were invested into the LGIM Sterling Liquidity Fund.

- At a meeting of the Trustees on 19 December 2023 an investment strategy review was presented, and it was agreed to move the Scheme to a portfolio of unleveraged gilts and a corporate bond allocation. This new strategy would strengthen the hedge ratio to 95% (of interest rates and inflation) on a Gilts Flat basis. This was not implemented until post the Scheme Year end.

The Trustees believes that the appointments of its investment managers are consistent with its long-term objectives and no further changes were made over the Scheme Year.

5. Voting Activity & Significant Votes over the Scheme Year

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have 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 which include equity holdings) in which the Scheme's assets are ultimately invested.

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

Over the 12-month period to 31 December 2023, the key voting activity on behalf of the Trustees was as set out below:

	JP Morgan Emerging Markets Opportunities Fund	LGIM Diversified Fund	LGIM World Equity Index Fund (GBP Hedged & Unhedged)	Baillie Gifford Diversified Growth Fund
How many resolutions were you eligible to vote on?	1,295	94,290	64,915	703
What % of resolutions did you vote on for which you were eligible?	97.0%	99.8%	99.9%	94.6%
Of the resolutions on which you voted, what % did you vote with management?	88.0%	76.4%	79.4%	97.0%
Of the resolutions on which you voted, what % did you vote against management?	11.0%	23.4%	20.0%	2.7%
Of the resolutions on which you voted, what % did you abstain from voting?	2.0%	0.3%	0.5%	0.3%

Source: JP Morgan, LGIM, Baillie Gifford

Voting statistics cover the period 1 January 2023 to 31 December 2023.

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote":

- A significant vote is defined as one that is linked to the Scheme's stewardship priorities/themes.
- A vote could also be significant for other reasons, e.g. due to size of holdings.
- The Trustee are to include details on why a vote is considered significant and rationale for the voting.

The Trustees have classified "significant votes" as any vote which concerns **Climate Change**, where the **Size** of the holding is >5% of the fund or a vote concerning **Governance**.

The votes included below are those that the Trustees believe to be the most significant based on the above definition.

L&G Life KY World Equity Index Fund (GBP Hedged and Unhedged)

	Vote 1	Vote 2	Vote 3
Company	JPMorgan Chase & Co.	NVIDIA Corporation	Alphabet Inc.
Date of Vote	2023-05-16	2023-06-22	2023-06-02
Why was vote considered significant	Vote concerns Climate Change or Governance, or holding was >5% of the fund		
Approximate size of holding at date of vote (as a % of portfolio)	0.7%	1.5%	1.2%
Summary of resolution	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	Resolution 1i - Elect Director Stephen C. Neal	Resolution 18 - Approve Recapitalization Plan for all Stock to Have One-vote per Share
How manager voted	For the resolution	Against the resolution	For the resolution
If the vote was against management, did the			

manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Climate Change: LGIM support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background..	Shareholder Resolution - Shareholder rights: A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.
Outcome of the vote	Resolution failed to pass	Resolution failed to pass	Resolution failed to pass
Next Steps	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		

LGIM Diversified Fund

	Vote 1	Vote 2	Vote 3
Company	Toyota Motor Corp.	Microsoft Corporation	Shell Plc
Date of Vote	2023-06-14	2023-12-07	2023-05-23
Why was vote considered significant	Vote concerns Climate Change or Governance, or holding was >5% of the fund		
Approximate size of holding at date of vote (as a % of portfolio)	0.2%	0.4%	0.3%
Summary of resolution	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	Resolution 1.06 - Elect Director Satya Nadella	Resolution 25 - Approve the Shell Energy Transition Progress
How manager voted	Against the resolution	Against the resolution	For the resolution
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with our investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products.

	company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.		
Outcome of the vote	Resolution failed to pass	N/A	Resolution passed
Next Steps	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		

JP Morgan ("JPM") Emerging Markets Opportunities Fund

	Vote 1	**Vote 2**	**Vote 3**
Company	OTP Bank Nyrt	Inner Mongolia Yili Industrial Group Co., Ltd.	Zijin Mining Group Co., Ltd.
Date of Vote	28/04/2023	18/05/2023	25/05/2023
Why was vote considered significant	Vote concerns Climate Change or Governance, or holding was >5% of the fund		
Approximate size of holding at date of vote (as a % of portfolio)	n/a	n/a	n/a
Summary of resolution	Approve Remuneration Policy	Elect Ji Shao as Director	Approve Entitlement to Dividend in the Year of Conversion
How manager voted	Against the resolution	Against the resolution	Against the resolution
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No		
Rationale for the voting decision	JPM voted against the resolution as they believe companies should disclose performance metrics pertaining to variable remuneration, allowing shareholders visibility on performance targets linked to rewards.	JPM voted against the resolution because they believe a strong independent element to a board is essential to the effective running of a company and we expect that at least one-third of the board should be comprised of independent directors with clear steps being taken to improve board independence over time.	JPM believe that any new issue of equity should first be offered to existing shareholders on a pre-emptive basis, and will vote against increases in capital, without pre-emptive rights, where the increase would dilute shareholder value in the long-term.
Outcome of the vote	Resolution passed	Resolution passed	Resolution passed
Next Steps	JPM will continue their engagement with the company		

Baillie Gifford Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company	PRYSMIAN S.P.A.	CONSOLIDATED EDISON, INC.	NEXTERA ENERGY, INC.
Date of Vote	19/04/2023	15/05/2023	18/05/2023
Why was vote considered significant	Vote concerns Climate Change or Governance, or holding was >5% of the fund		
Approximate size of holding at date of vote (as a % of portfolio)	0.6%	0.18%	0.1%
Summary of resolution	Remuneration	Appoint/Pay Auditors	Shareholder Resolution - Governance
How manager voted	Against the resolution	Against the resolution	For the resolution
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No		
Rationale for the voting decision	Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. They believe the use of discretion should be carefully evaluated, and used to support and prioritise the long-term prospects of the business. They are not convinced that this use of discretion meets that bar.	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. They 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 supported a shareholder resolution requesting a board diversity and qualifications matrix because they believe that shareholders would benefit from individualised information on the skills and qualifications of directors, as well as disclosure on climate-related skills and qualifications.
Outcome of the vote	Resolution failed to pass	Resolution passed	Resolution failed to pass
Next Steps	Baillie Gifford will communicate our rationale for voting against the remuneration report. They supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.	Baillie Gifford have abstained on the election of the auditor at Consolidated Edison for the last two years due to lengthy tenure (the external auditor has been in place since 1938). Although not a regulatory requirement in the U.S., they consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. They have informed the company of our expectation but have not received a response. This year they decided to escalate our voting action to oppose the auditor and will continue to share their expectations with the company.	Baillie Gifford will communicate our rationale for voting against the remuneration report. They supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.

6. Voting Activity & Significant Votes over the Scheme Year

Please note, at the time of writing, the turnover information provided by Mobius life as at 31 December 2023, is currently unavailable. If required, Mercer can follow up with this information and provide a comment on the reasonableness of the information, as per last year's Engagement Policy Implementation Statement.