

Metabrasive Retirement Benefit Scheme (the “Scheme”)

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2023

Introduction

This Engagement Policy Implementation Statement (the “Statement”) sets out how, and the extent to which, the stewardship policy and policies on environmental, social and governance (“ESG”) factors and climate change, set out in the Scheme’s Statement of Investment Principles (the “SIP”), have been followed during the year to 5 April 2023 (the “Scheme Year”). 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.

The Statement is based on, and should be read in conjunction with, the SIP that was in place for the Scheme Year and can be accessed online:

[Statement of Investment Principles - Metabrasive Retirement Benefits Scheme - February 2021](#)

Trustees’ Investment Objectives

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

As outlined in the SIP, 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. In doing so, the Trustees aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme’.

Policy on ESG, Stewardship and Climate Change

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interest that these factors are taken into account within the investment process.

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and climate change. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially and were last reviewed in March 2021.

The Scheme’s assets are invested in pooled funds and therefore the Trustees accept that they have very limited ability to influence the ESG policies and practices of the companies in which the managers invest. The Trustees therefore rely on the policies and judgement of the investment managers.

The Trustees expect the investment managers to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to investments and engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

Nonetheless, the Trustees confirm that they have acted in accordance with the SIP in relation to voting and engagement activities over the Scheme Year.

Scheme's Investment Structure

The Scheme's main investment is 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 Trustees have no direct relationship with the Scheme's underlying investments managers. However, the Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Trustees' Engagement

Over the Scheme Year, neither the Trustees nor Mercer (as their investment advisor) have directly engaged with the pooled fund investment managers on matters pertaining to ESG, stewardship or climate change.

Engagement initiatives are driven by investment managers, mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

However, the Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers:

- The Trustees receive quarterly performance reports from Mercer, and these include Mercer's ratings (both the general and ESG specific rating) for the funds in which the Scheme is invested.
- The Trustees review the ESG ratings of funds when undertaking an investment strategy review.
- Mercer notify the Trustees of changes in ESG ratings of the funds in which the Scheme invests when such changes take place.

This enables the Trustees to monitor the development of the ESG scores and determine whether further action should be taken in respect of specific funds.

All managers that the Scheme invests in confirmed that they are signatories of the current UK Stewardship Code.

Taking all the above into consideration, the Trustees are satisfied that responsible investment is embedded appropriately in the investment managers' approaches to investing and are satisfied that Mercer's ESG scores for the Scheme's current holdings are satisfactory.

Voting Activity

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 their voting rights to the managers of the funds the Scheme's investments are ultimately invested in. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Investment managers are expected to provide voting summary reporting when requested by the Trustees. Over the year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

DWP released a set of requirements on 17 June 2022 regarding a Statement such as this, "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance" to be adopted in all Engagement Policy Implementation

Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a “significant vote”.

The Trustees have identified the key themes, based on a priority scale, which are:

- **Financial outcomes:**

A vote which has the potential to substantially impact financial or stewardship outcomes, e.g., through over-leveraging the business

- **Modern slavery:**

The vote relates to the identification and elimination of modern slavery in supply chains

- **Remuneration:**

A vote against a remuneration report where executives are awarded bonuses despite missing targets

The significant votes covered in this Statement have been reported on as they relate to the above stewardship priorities of the Trustees.

The ESG report available online with this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible and how they voted on behalf of the Scheme.

The summary includes information on what the investment managers consider to be a significant vote. The Trustees have no influence on the managers’ definitions of significant votes but are satisfied that they are all reasonable and appropriate. The Trustees are happy to align with the managers’ views on significant votes, but will keep this under review.