

Hertel (UK) Retirement and Death Benefit Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2023

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance ('ESG') factors and climate change set out in the Statement of Investment Principles ('SIP') have been followed during the year to 5 April 2023 (Scheme Year). 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, as amended, and the guidance published by the Pensions Regulator.

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.

As set out in the SIP, the Trustees' primary investment objective 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 also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they 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 Trustees policies on ESG factors, stewardship and climate change. These policies are also set out in Appendix 1 to this Statement. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The SIP was not changed over the Scheme Year. However, the current SIP dated 16 September 2020 is in the process of being updated, primarily to reflect changes made to reduce the risk in the investment strategy. The current SIP is available online at the following link: <https://uk.altradservices.com/wp-content/uploads/2021/10/Hertel-SIP-Approved-16-September-2020.pdf>

Scheme's Investment Structure

The Scheme's only 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 investment managers. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Trustees' Engagement

Mercer's quarterly performance reporting includes Mercer's ESG scores for the funds in which the Scheme is invested. These scores reflect Mercer's view on how the managers incorporate ESG factors into the management of their funds and help the Trustees to determine whether further action should be taken in respect of specific funds.

The Trustees monitor the development of these scores over time, and also consider Mercer's ESG scores when undertaking an investment strategy review and considering new investment funds, as was done when the investment strategy was revised.

The Trustees are satisfied that Mercer's ESG scores for the funds invested in are satisfactory in the context of the mandates of the funds.

As the Trustees have no direct relationship with the Scheme's underlying investment managers the 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.

The information in Appendix 2 shows that the Scheme's managers engaged with a large number of investee companies on a wide range of issues.

Further information on the investment managers' approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following websites:

Nordea:

<https://www.nordeaassetmanagement.com/responsible-investment>

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/>

Pictet:

<https://am.pictet/en/us/global-articles/company/responsible-investment/tab/OurActionScheme/LeversOfAction>

NinetyOne

<https://ninetyone.com/en/united-kingdom/sustainability/invest-advocate-inhabit/invest>

Legal & General:

<https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

All the Scheme's investment managers are signatories of the UK Stewardship Code as follows:

Manager	Signatory Since
Nordea	2022
Columbia Threadneedle	2022
Pictet	2022
Ninety One	2021
LGIM	2021

Source: FRC website

Taking all the above into consideration, the Trustees are satisfied that Responsible Investment is central to the investment managers' approaches to investing.

Voting Activity

If the Trustees are specifically invited to vote on a matter relating to the corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's members.

Over the Scheme Year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

As noted earlier, the Trustees have no direct relationship with the pooled funds the Scheme is ultimately invested in, and therefore the Trustees have no voting rights in relation to the Scheme's investments and no direct ability to influence the managers of the pooled funds. As a result, the Trustees do not directly use the services of a proxy voter as this is not relevant.

The DWP released a set of Engagement Policy Implementation Statement requirements 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" 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".

- 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 the size of holding;
- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

The Trustees have identified that climate change & carbon neutrality is their most important stewardship priority. The significant votes shown in this statement relate to this.

Appendix 2 sets out a summary of the key voting activity over the financial year of the pooled funds in which the Scheme's assets are ultimately invested for which voting is possible (i.e., those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are reasonable and appropriate.

The Appendix shows those significant votes supplied by the investment manager which the Trustees determine to be a significant vote – i.e. those that are in relation to climate change & carbon neutrality. Given the number of significant votes supplied, the Trustees have applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 0.25% or more of the specific fund.

The de-risking that was undertaken involved disinvesting from all funds which contained equities, and it is therefore expected that next year's Statement will not include any voting information.

Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2023

The Trustees are satisfied that the Engagement Policies set out in the SIP, which was in place over the year have been followed.

Appendix A – Trustees’ Policies on ESG factors, stewardship and Climate Change

The policies below are included within the 16 September 2020 SIP:

Financially Material Considerations

The Trustees consider many risks which they anticipate could impact the financial performance of the Scheme’s investments over the Scheme’s expected lifetime.

The Trustees recognise that environmental, social and corporate governance (“ESG”) factors, such as climate change, can influence the investment risk and return outcomes of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

The Trustees further recognise that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustees would seek to invest in funds which incorporate ESG principles.

In setting their investment strategy, the Trustees have prioritised funds which provide leveraged protection against movements in the Scheme’s liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be paramount.

The Trustees note that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustees also receive ESG scores provided by the Investment Consultant in relation to the funds in which the Scheme is invested and will monitor how these develop over time.

The Trustees believe that the importance of ESG considerations will increase over time and have therefore built an ongoing review of this into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

Non-Financial Matters

The Trustees have determined that the financial interests of the Scheme members are their first priority when choosing investments.

They have decided not to consider non-financial considerations, such as ethical views, or to take members’ preferences into account when setting the investment strategy for the Scheme.

Stewardship

The Scheme is invested solely in pooled investment funds. The Trustees’ policy is to delegate responsibility for engaging with, monitoring investee companies and 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.

If the Trustees are specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

Appendix B – Voting and Engagement Activity

This Appendix sets out a summary of the key voting and engagement activity of the pooled funds in which the Scheme's assets are ultimately invested.

Fund	Total Engagements	Climate Change Engagements
Nordea Diversified Return Fund	100	16
Threadneedle Multi Asset Fund	177	Not provided
Pictet Multi Asset Portfolio	35	Not provided
NinteyOne Global Multi-Asset Sustainable Growth Fund	30	14
L&G World Equity Index Fund	595	111
Columbia Threadneedle LDI	23	Not provided

Sourced by Mobius from the investment managers

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
Nordea Diversified Return	<p>Every vote cast is considered individually on the background of Nordea's bespoke voting policy, which is developed in-house based on their principles.</p> <p>Proxy voting is supported by two external vendors (ISS and Nordic Investor Services) to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors merged.</p>	2,391 resolutions eligible for (98.83% cast)	8.72% of votes cast	1.65% of votes cast	<p>Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals versus their policy.</p>	<p>Monster Beverage</p> <p>Shareholder Resolution - "Report on GHG emission reduction targets aligned with the Paris Agreement goal"</p> <p>Date of vote: 14 June 2022</p> <p>Size of holding: 1.27% of portfolio</p> <p>Voting: For</p> <p>Manager Rationale: "We think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks."</p> <p>Was this communicated to company ahead of vote: No</p> <p>Vote Outcome: Resolution failed</p> <p>Next steps: Nordea will continue to support shareholder proposals on this issue as long as the company is not showing substantial improvements.</p> <p>Microsoft Corporation</p> <p>Shareholder Resolution - "Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk"</p> <p>Date of vote: 13 December 2022</p> <p>Size of holding: 3.60% of portfolio</p> <p>Voting: For</p> <p>Manager Rationale: "We believe that while the company may not be responsible for its employees' investment decisions, the information requested in the report would not only complement and enhance Microsoft's existing commitments regarding climate change, but also allow shareholders to better evaluate the company's strategies and management of related risks."</p> <p>Was this communicated to company ahead of vote: No</p> <p>Vote Outcome: Resolution failed</p> <p>Next steps: Nordea will continue to support shareholder proposals on this issue as long as it is needed.</p>
Threadneedle Multi Asset	<p>ISS Proxy Exchange used for voting execution.</p> <p>Final vote decisions made by Threadneedle take account of, but are not determinatively</p>	5,830 resolutions eligible for (97.63% cast)	7.87% of votes cast	2.06% of votes cast	<p>Significant votes are dissenting votes, i.e., where a vote is cast against (or abstained from) a management – tabled proposal or where support is given to a shareholder – tabled proposal not</p>	<p>Alphabet Inc</p> <p>Shareholder Resolution - "Report on Climate Lobbying"</p> <p>Date of vote: 1 June 2022</p> <p>Size of holding: 0.32% of portfolio</p> <p>Voting: For Resolution</p>

	informed by, research issued by proxy advisory organisations such as ISS and Glass Lewis as well as MSCI ESG Research.				supported by management.	<p>Manager Rationale: “Supporting better ESG risk management disclosures. Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.”</p> <p>Was this communicated to company ahead of vote: No</p> <p>Vote Outcome: Resolution failed</p> <p>Next steps: Active stewardship (engagement and voting) continues to form an integral part of CT’s research and investment process.</p>
Pictet Multi Asset Portfolio	<p>ISS provide research and facilitate the execution of voting decisions at all relevant company meetings worldwide.</p> <p>ISS recommendations are communicated to relevant Investment teams and Pictet’s in-house ESG team.</p> <p>ISS recommendations inform voting decisions but Pictet may deviate from third party voting recommendations on a case by case basis. Such divergences may be initiated by Investment teams or by the ESG team and will be supported by detailed written rationale.</p>	419 resolutions eligible for (90.93% cast)	11.02% of votes cast	0.00% of votes cast	Pictet consider a vote to be significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or they hold an important stake in the company.	<p>Glencore</p> <p>Management Resolution - Approve Climate Progress Report</p> <p>Date of vote: 28 April 2022</p> <p>Size of holding: 0.28% of portfolio</p> <p>Voting: Against Resolution</p> <p>Manager Rationale: A vote AGAINST the Climate Progress Report is warranted because: - There are concerns over the Company's activities around thermal coal, which accounts for the majority of its Scope 3 emissions. Further, the Company's lobbying would appear to run counter to the Paris goals, as highlighted by Glencore having been identified as one of the ten most obstructive companies in terms of global climate policy action.</p> <p>Was this communicated to company ahead of vote: No</p> <p>Vote Outcome: The resolution was approved.</p> <p>Next steps: Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, they will consider actions as part of their escalation strategy, including future voting decisions.</p> <p>Rio Tinto Plc</p> <p>Management Resolution - Approve Climate Action Plan</p> <p>Date of vote: 8 April 2022</p> <p>Size of holding: 0.37% of portfolio</p> <p>Voting: Against Resolution</p> <p>Manager Rationale: A vote AGAINST this item is warranted given the apparent gaps in the company's climate reporting and lack of science-based target setting. While Rio Tinto has provided admirable disclosure on its scope 1 and 2 targets, there is an absence of quantifiable Scope 3 targets at this time.</p>

						<p>Improvement in disclosure would benefit shareholders in assessing the company's long-term value and reputational and legal risks associated with discrimination.</p> <p>Was this communicated to company ahead of vote: No</p> <p>Vote Outcome: The resolution was approved</p> <p>Next steps: Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company, and are doing so in this case. If warranted, they will consider actions as part of their escalation strategy, including future voting decisions.</p>
<p>Ninety One Global Multi Asset Sustainable Growth</p>	<p>Ninety One use Institutional Shareholder Services (ISS), to produce custom research reports. These reports include vote recommendations (not instructions) that arise from applying Ninety One's voting guidelines. The vote decision is then reached by the relevant investment teams in accordance with the investment philosophy, supported by the Engagement and Voting team.</p> <p>Votes are cast using the ISS voting platform.</p>	<p>974 resolutions eligible for (100.00% votes cast)</p>	<p>7.49% of votes cast</p>	<p>0.41% of votes cast</p>	<p>Ninety One describes those votes as significant which have significant client, media or political interest, material holdings, those of a thematic nature (i.e., climate change) and significant corporate transactions that have a material impact on future company performance, for example approval of a merger, etc.</p>	<p>KLA Corporation</p> <p>Shareholder Resolution - Report on Retirement Plan Options Aligned with Company Climate Goals</p> <p>Date of vote: 2 November 2022</p> <p>Size of holding: 0.5%</p> <p>Voting: For Resolution</p> <p>Manager Rationale: A vote FOR this proposal is warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.</p> <p>Was this communicated to company ahead of vote: We did not engage prior to the meeting date as our policy on voting shareholder resolutions of this nature are publically available.</p> <p>Vote Outcome: The resolution failed</p> <p>Microsoft Corporation</p> <p>Shareholder Resolution - Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk</p> <p>Date of vote: 13 December 2022</p> <p>Size of holding: 1.1%</p> <p>Voting: Against Resolution</p> <p>Manager Rationale: The company offers an option to employees that want to invest more responsibly, and the Department of Labor is finalising rules on how ESG factors should be considered by fiduciaries.</p> <p>Was this communicated to company ahead of vote: Aligned to management</p> <p>Vote Outcome: The resolution failed</p>

LGIM World Equity Index	<p>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.</p>	<p>68,320 resolutions eligible for (99.88% votes cast)</p>	<p>19.68% of votes cast</p>	<p>1.18% of votes cast</p>	<p>In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation. This includes, but is not limited to:</p> <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>Alphabet Inc</p> <p>Shareholder Resolution - Report on physical risks of climate change.</p> <p>Date of vote: 1 June 2022</p> <p>Size of holding: 1.11% of portfolio</p> <p>Voting: For Resolution</p> <p>Manager Rationale: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.ote Outcome: Resolution received 17.7%</p> <p>Vote Outcome: Resolution received 17.7%</p> <p>Berkshire Hathaway Inc.</p> <p>Shareholder Resolution - Elect Director Susan L. Decker.</p> <p>Date of vote: 30 April 2022</p> <p>Size of holding: 0.67% of portfolio</p> <p>Voting: Withhold Resolution</p> <p>Manager Rationale: A WITHHOLD vote is warranted for lead independent director Susan Decker as the company does not adequately disclose climate change-related risks and opportunities.</p> <p>Vote Outcome: Resolution received 86.6%</p> <p>Exxon Mobil Corporation</p> <p>Shareholder Resolution - Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal</p> <p>Date of vote: 25 May 2022</p> <p>Size of holding: 0.57% of portfolio</p> <p>Voting: For Resolution</p> <p>Manager Rationale: A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.</p> <p>Vote Outcome: Resolution received 27.1%</p> <p>Royal Dutch Shell Plc</p> <p>Shareholder Resolution - Approve the Shell Energy Transition Progress Update</p> <p>Date of vote: 24 May 2022</p> <p>Size of holding: 0.33% of portfolio</p> <p>Voting: Against Resolution</p>
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						<p>Manager Rationale: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.</p> <p>Vote Outcome: Resolution received 79.9%</p> <p>In relation to all failed votes:</p> <p>Was this communicated to company ahead of vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.</p> <p>Next steps: LGIM will continue to engage with investee companies, publicly advocate position on the issue and monitor company and market-level progress.</p>
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Note: The information in the table has been provided by the investment managers and covers 12 months to 31 March 2023.

* All are considered significant because they relate to climate change and carbon neutrality and are in relation to a company that constitutes 0.25% or more of the specific fund