

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 2022 to 31 December 2022 (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 guidance published by the Pensions Regulator.

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 2022;
- 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 April 2022. The SIP was last amended in April 2022, primarily to reflect an updated Strategic Allocation.

A copy of the SIP is available at:

<https://www.holophane.co.uk/ProductData/PDFs/Holophane%20Retirement%20Benefits%20SchemeD-B-SIP-April%202022.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.

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

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, 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 April 2022, primarily to reflect an updated Strategic Allocation. The Trustees keep the policies under regular review with the SIP reviewed every year and 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

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

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:

- The Scheme disinvested from its holdings in the Vontobel Global Equity Life Fund and Pictet Multi Asset Portfolio in the first quarter of 2022.
- The Scheme introduced an investment into the LGIM Diversified Fund as well as the Columbia Threadneedle Equity-linked Nominal Dynamic LDI Fund.

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 2022, the key voting activity on behalf of the Trustees was as set out below (as noted in section 4 over the Scheme Year there was a full disinvestment from both the Vontobel and Pictet funds below in the first quarter of 2022).

As the Scheme disinvested from these funds over the reporting period, example votes have been provided in the table below and will be removed in next year's Implementation Statement:

	JP Morgan Emerging Markets Opportunities Fund	LGIM Diversified Fund	LGIM World Equity Index Fund (GBP Hedged & Unhedged)	Baillie Gifford Diversified Growth Fund	Vontobel Global Equity Life Fund	Pictet Multi Asset Portfolio
How many resolutions were you eligible to vote on?	1,129	98,795	38,295	1,140	832	466
What % of resolutions did you vote on for	97.3%	99.8%	99.8%	95.8%	100%	91.85%

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

which you were eligible?						
Of the resolutions on which you voted, what % did you vote with management?	92.2%	77.4%	78.9%	95.7%	86.66%	89.02%
Of the resolutions on which you voted, what % did you vote against management?	5.8%	21.9%	20.4%	3.4%	13.34%	10.98%
Of the resolutions on which you voted, what % did you abstain from voting?	2.0%	0.7%	0.7%	0.8%	0.00%	0.00%

Source: JP Morgan, LGIM, Baillie Gifford

Voting statistics cover period 1 January 2022 to 31 December 2022.

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 Trustees 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**.

Examples of such significant votes are summarised in the table below for the funds where voting is applicable:

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

	Vote 1	Vote 2	Vote 3
Company	Alphabet Inc.	Exxon Mobile Corporation	The Home Depot, Inc.
Date of Vote	01/06/2022	25/05/2022	19/05/2022
Why was vote considered significant	Vote concerns Climate Change or Governance		
Approximate size of holding at date of vote (as a % of portfolio)	1.1%	0.6%	0.5%
Summary of resolution	Resolution 7 - Report on Physical Risks of Climate Change	Resolution 6 - Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal	Resolution 6 - Require Independent Board Chair
How manager voted	For the resolution	For the resolution	For the resolution
If the vote was against management, did the manager communicate their intent to the			

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

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	A vote for was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	LGIM voted for the resolution given 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.	LGIM voted in favour as they expect companies to establish the role of independent Board Chair.
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	Royal Dutch Shell Plc	Prologis, Inc.	BP Plc
Date of Vote	24/05/2022	04/05/2022	12/05/2022
Why was vote considered significant	Vote concerns Climate Change or Governance		
Approximate size of holding at date of vote (as a % of portfolio)	0.3%	0.4%	0.1%
Summary of resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 1a - Elect Director Hamid R. Moghadam	Resolution 3 - Approve Net Zero - From Ambition to Action Report
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?	n/a (voted in line with management)	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.	n/a (voted in line with management)
Rationale for the voting decision	LGIM voted against the resolution, though not without reservations. They 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, LGIM remain concerned of the disclosed plans for oil and gas production, and	LGIM voted against the resolution as they expect companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: 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.	LGIM voted for the resolution as whilst they note the inherent challenges in the decarbonisation efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

	would benefit from further disclosure of targets associated with the upstream and downstream businesses.		outstanding elements were strengthened. Nevertheless, they remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.
Outcome of the vote	Resolution failed to pass	Resolution passed	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	Bid Corp. Ltd.	Wuxi Biologics (Cayman) Inc.	Tencent Holdings Limited
Date of Vote	17/11/2022	10/06/2022	18/05/2022
Why was vote considered significant	Vote concerns Climate Change or Governance		
Approximate size of holding at date of vote (as a % of portfolio)	n/a	n/a	n/a
Summary of resolution	Amend the Conditional Share Plan Scheme	Elect Yanling Cao as Director	Authorize Reissuance of Repurchased Shares
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 pro-rate plan awards to reflect time served and performance achieved by executives.	JPM voted against the director reelection due to concerns about overall board independence.	JPM voted against the resolution due to concerns over the issuance limits, relating to concerns over dilution.
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	CBRE Group, Inc.	Galaxy Entertainment Group Ltd	Fraport AG Frankfurt Airport Services Worldwide
Date of Vote	18/05/2022	12/05/2022	24/05/2022
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)	6.2%	6.1%	5.1%
Summary of resolution	Shareholder Resolution - Governance	Amendment of Share Capital	Remuneration
How manager voted	Against the resolution	Against the resolution	Against the resolution

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

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 a shareholder resolution to lower the threshold for shareholders to call a special meeting as they consider that the existing threshold is appropriate.	Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.	Baillie Gifford opposed the resolution to approve the remuneration report because the company exercised discretion to amend the performance conditions attached to the 2018 LTIP, which Baillie Gifford does not believe to be in the best interest of shareholders.
Outcome of the vote	Resolution failed to pass	Resolution passed	Resolution passed
Next Steps	Baillie Gifford intend to follow up with the company later in a year to speak about governance developments.	Baillie Gifford have opposed similar resolutions in previous years and will continue to advise the company of their concerns and seek to obtain proposals that they can support.	Baillie Gifford will continue to encourage the board to revise this condition to ensure that no vesting occurs below median performance.

Pictet Multi-Asset Portfolio

	Vote 1	Vote 2	Vote 3
Company	Rio Tinto Plc	Exxon Mobil Corporation	Glencore
Date of Vote	08/04/2022	25/05/2022	28/04/2022
Why was vote considered significant	Vote concerns Climate Change		
Approximate size of holding at date of vote (as a % of portfolio)	0.37%	0.18%	0.12%
Summary of resolution	Resolution 17- Approve Climate Action Plan	Resolution 8- Report on Scenario Analysis Consistent with International Energy Agency's Net Zero by 2050	Resolution 13 – Approve Climate Progress Report
How manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	The manager did not communicate their intention to vote against management on this resolution.		
Rationale for the voting decision	Pictet voted against this resolution 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 in Pictet's opinion.	Pictet voted for this proposal, as they believe shareholders would benefit from greater disclosure about the company's risk of stranded assets, given its planned spending plan and business strategy.	Pictet voted against this resolution as they had 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.

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

Outcome of the vote	Resolution passed	Resolution passed	Resolution passed
Next Steps	Pictet noted the outcome, and knowing it 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.		

Vontobel Global Equity Life Fund

	Vote 1	Vote 2	Vote 3
Company	Microsoft Corporation	The Coca-Cola Company	Microsoft Corporation
Date of Vote	13/12/2022	26/04/2022	13/12/2022
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)	5.0%	4.1%	5.0%
Summary of resolution	Resolution 6 – Report on Climate Change	Resolution 4 – Report on External Public Health Costs	Resolution 4 – Report on Cost/Benefit Analysis of Diversity and Inclusion
How manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	n/a		
Rationale for the voting decision	n/a		
Outcome of the vote	Resolution failed to pass	Resolution failed to pass	Resolution failed to pass
Next Steps	n/a		

Vontobel were not able to provide all the required information for the significant votes.

Holophane Retirement Benefits Scheme

Year ended 31 December 2022

6. Turnover Rates and Manager Costs

The data in the below table has been provided by Mobius Life as at 31 December 2022. In Mercer's view, the amount of turnover and turnover costs appear reasonable.

Fund	Turnover Rates (%)	Manager Costs (%)
Ninety One Global Total Return Credit Fund	31%	1.02%
L&G Life KY World Equity Index Fund — GBP Currency Hedged	30%	0.60%
L&G Life DB World Equity Index Fund	N/A (Disinvested over the Scheme Year)	0.58%
Pictet Multi Asset Portfolio	N/A (Disinvested over the Scheme Year)	1.09%
JPM Emerging Markets Opportunities Fund	54%	1.36%
CT LDI Nominal Dynamic LDI Fund	87%	0.85%
CT LDI Real Dynamic LDI Fund	53%	0.85%
CT LDI Equity-Linked Nominal DLDI Sub-Fund	88%	0.91%
BG IF Diversified Growth Fund	332%	1.16%
Payden Absolute Return Bond Fund	17%	0.90%
ML Vontobel Global Equity Life Fund	N/A (Disinvested over the Scheme Year)	1.35%
L&G Life Diversified Fund	377%	0.81%