

SOLVAY UK DEFINED BENEFITS PENSION SCHEME ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31st March 2024

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 31st March 2024. 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 2019 and the guidance published by the Pensions Regulator.

Trustee Investment Objectives

The objectives set out here, and the risks and other factors referenced are those that the Trustee determines to be financially material considerations in relation to the Scheme.

The Trustee's primary objectives are to invest the Scheme's assets in the best interests of the members and beneficiaries and pay due regard to the interest of the Company on the size and incidence of contribution payments, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of secondary objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed.

The secondary objectives are as follows:

- to restore the Scheme's funding position on an ongoing (i.e. Technical Provisions) basis to at least 100% and to achieve over the long-term, a return on the Scheme's assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme; and
- to meet its obligation to the beneficiaries of the Scheme, including ensuring that sufficient liquid assets are available to meet benefit payments as they fall due.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

The Trustee understands, following discussions with the Company, that the Company is willing to accept some degree of volatility in its contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

Statement of Investment Principles

During the year to 31 March 2024, the Statement of Investment Arrangements ("SIA") was updated to better reflect wording around the Scheme's Cash Flow policy. There were no changes to the Cash Flow Policy or underlying strategy for the Scheme during the year, nor were there any changes to the Scheme's Statement of Investment Principles ("SIP").

Policy on ESG, Stewardship and Climate Change

The Trustee believes that financially material factors, including 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 may apply over the Scheme's investment time horizon and increasingly may require explicit consideration.

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

The Scheme's assets are invested in pooled vehicles and the day-to-day management of the Scheme's assets has been delegated to investment manager(s), including the selection, retention and realisation of investments within their mandates. In doing so these investment manager(s) are expected and encouraged to undertake engagement activities on relevant matters including ESG factors (including climate change considerations) and to 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 engages with existing investment manager(s) on these issues through (amongst other things) meetings and periodic correspondence. Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis. This applies to both equity and debt instruments, as appropriate, and covers a range of matters, including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

Notwithstanding the above, the Trustee recognises that in passive mandates the choice of benchmark dictates the assets held by the investment manager and that the manager has limited freedom to take account of factors that may be deemed to be financially material as part of stock selection decision-making. The Trustee accepts that the primary role of its passive manager(s) is to deliver returns in line with the market and believes this approach is in line with the basis on which the current strategy has been set.

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. Monitoring of the existing investment managers is undertaken on a regular basis and this makes use of the investment consultant's ESG ratings. This is documented at least annually and The Trustee is informed of any changes to ESG ratings usually on a quarterly basis. The Trustee will challenge managers who it believes are taking insufficient account of ESG considerations in implementing their mandates. The Trustee will also monitor investment manager engagement activity (such as voting) at least annually.

The Trustee has not set any investment restrictions on the appointed investment manager(s) in relation to particular products or activities, but may consider this in future.

The Trustee will not consider the ESG policies of Additional Voluntary Contributions provider(s) and associated investment funds as these are a small proportion of total assets.

Assessment of voting, stewardship and engagement activity for the year to 31 March 2024

The following sections outline the information reported by the Scheme's investment managers to the Trustee in respect of their voting, stewardship and engagement activities during the year. Engagement activity is provided at a firm-wide level whilst voting activity is for the specific mandates in which the Scheme was invested over the 12 month period to 31 March 2024.

During 2023 the Trustee undertook a review of the ESG and engagement activities of the Scheme's DGF managers, to gain a deeper understanding of how ESG is embedded in the decision-making and implementation process, as well as to better understand firm-wide commitments made by the managers on their ESG and engagement policies.

The Trustee and the investment advisor have analysed the voting policies of the Scheme's DGF managers, including how they have voted on key themes that align with the Trustee's ESG Investment Beliefs Statement. Further information on significant votes and the process to determine how and why votes are cast for each manager can be found under the "Voting Activity" section below.

Engagement

Ruffer (Absolute Return)

- Ruffer's engagement activities are usually conducted jointly by the ESG representative and the research analyst, with support from the responsible investment team. They consider this collaborative approach to engagement to be particularly powerful. It ensures detailed, well-informed discussions with companies on issues they deem to be material, helping to build relationships that enable to push for significant change.
- Ruffer recognises that ESG considerations are important drivers of investment performance, representing both sources of value and investment risks, and believes that investing responsibly will lead to better long-term outcomes for investors.

- Ruffer systematically integrates ESG considerations throughout its investment process, from top down idea generation continuing through to bottom up stock selection. The Trustee believes that Ruffer has a strong approach to stewardship and engagement, including its participation in collaborative initiatives on ESG issues.
- Ruffer frequently engages with companies on corporate governance issues, such as executive remuneration and mergers and acquisitions. Ruffer votes all proxies and subscribes to the Institutional Shareholder Service (ISS), but will not necessarily follow its recommendations. If an analyst does want to vote differently to an ISS recommendation, then he or she can escalate the decision to a more senior individual(s) for approval. Ruffer produces an annual ESG report which details its voting statistics and highlights specific engagements, as well as covering some of the broader ESG issues that have arisen during the year.
- There are occasions when collaboration with other investors may be the most productive way to engage and Ruffer is open to working alongside other investors on both policy and company-specific matters. This could be in situations where other investors share the same concerns or independent engagement has not produced a desirable outcome. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers, as well as the legal and compliance teams. Examples of this include the several climate-change initiatives Ruffer is involved with, including the Institutional Investors Group on Climate Change (IIGCC), the Transition Pathway Initiative, Climate Action 100+, and Aiming for A.
- Ruffer is a signatory to the 2020 UK Stewardship Code, and the Japan Stewardship Code.

LGIM

- LGIM has established a fully integrated framework for responsible investing to strengthen long-term returns. LGIM's framework is based on stewardship with impact and active research across asset classes. These activities enable LGIM to deliver responsible investment solutions to clients and conduct engagement with the aim of driving positive change.
- LGIM has a targeted policy engagement toolkit that it uses on systemic ESG issues, which incorporates formal engagement with investee companies, public pressure, and varied engagement tactics such as direct engagement (such as with early-stage policy development), collaborative engagement (eg NGOs and industry peers), thought leadership, and formal engagement such as consultations, representation, and roundtables, such as COP15.
- In the face of looming challenges like climate change, ageing populations or technological disruption, LGIM believes an approach to managing capital is required where ESG impact is considered alongside the traditional metrics of risk and return. Evolving its capabilities to assess and engage with companies on ESG criteria is a vital objective for LGIM. LGIM believes this activity will be crucial to determine those that survive and thrive as change accelerates.
- LGIM is a signatory to the 2020 UK Stewardship Code.

Voting Activity

The Trustee has delegated its voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case, votes are cast on behalf of the pooled fund not the Trustee, who do not own the underlying assets directly). The Trustee does not use the direct services of a proxy voter.

In Q3 2022, new legislation was published by the Department of Work & Pensions (“DWP”) which provided new requirements for pension scheme SIP and Implementation Statements, which has come into effect for the Fund this year. The Trustee is now required to provide a definition of what it considers a “significant vote”.

The Trustee has agreed that its definition of a significant vote is “*a vote that relates to and aligns with the Trustee’s key priority themes as provided within the Trustee’s ESG Investment Beliefs Statement*”. The votes outlined below have been provided to the investment advisor by the Fund’s investment managers and have been tailored to prioritise those in which the underlying theme / topic is one that the Trustee has identified as being significant based on the above definition.

A summary of the key voting activity over the financial year can be found below:

Ruffer (Absolute Return)

Ruffer’s proxy voting advisor is Institutional Shareholder Services (ISS). Ruffer has developed its own internal voting guidelines, however it takes into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer is cognisant of proxy advisers’ voting recommendations, it does not delegate or outsource its stewardship activities when deciding how to vote on clients’ shares.

Ruffer defines ‘significant votes’ as those that it thinks will be of particular interest to its clients. In most cases, these are when they form part of continuing engagement with the company and/or Ruffer has held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and Ruffer’s internal voting guidelines.

Key votes undertaken over the year are summarised below:

- There have been 1,020 votable proposals over the year, all of which Ruffer has voted on, on behalf of the Trustee.
- Ruffer voted with management on 94.9% of the proposals, against management on 3.1% and abstained on 2.0%.

Ruffer does not communicate its vote instructions ahead of the company meeting for the votes against management.

Significant vote examples:

Date of vote	Company	Size of holding (%) [*]	Summary of the Resolution	How Ruffer voted	Outcome	Next Steps ^{**}	Rationale for the voting decision	Why Vote is Significant
27 April 2023	BP Plc	0.48	Approve Shareholder Resolution on Climate Change Targets	Against	Fail	Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which deem as unnecessary.	BP has, in Ruffer's opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Whilst BP has tightened & reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. This resolution asks for "BP to align its 2030 Scope 3 aims with Paris". Firstly, this would require a wholesale shift in strategy, which Ruffer believe is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. This burden is unfair, particularly in the context of BP making long-cycle investment decisions.	The environmental nature of this resolution is aligned with the Trustee's key priority theme of "climate change".

Date of vote	Company	Size of holding (%)*	Summary of the Resolution	How Ruffer voted	Outcome	Next Steps**	Rationale for the voting decision	Why Vote is Significant
24 May 2023	Amazon.com, Inc.	0.35	Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	For	Fail	N/A – not provided by the manager	Ruffer state that a vote FOR this proposal is warranted, as shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy.	The environmental nature of this resolution is aligned with the Trustee's key priority theme of "climate change".
24 May 2023	Amazon.com, Inc.	0.35	Report on Median and Adjusted Gender/Racial Pay Gaps	For	Fail	N/A – not provided by the manager	Ruffer state that a vote FOR this proposal is warranted, as shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives and its management of related risks.	The governance nature of this resolution is aligned with the Trustee's key priority theme of "Corporate governance – inclusive, diverse decision-making".
30 August 2023	Swire Pacific Limited	0.33	Shareholders Right	For	Pass	Ruffer will continue to engage with the company on governance issues and vote on equity issuance proposals where they deem it to have material	Ruffer voted in favour of the resolution to 'Approve Share Purchase Agreement and Related Transactions', supporting management, but against ISS. Ruffer believes that approving the sale of the US Coca-Cola bottling business to the controlling shareholder is in the best interests of the minority shareholders of Swire Pacific, such as Ruffer's. The strategic rationale for this deal is in-line with the stated strategy of the company to focus geographically on operations in China and SE Asia. Furthermore, this	The governance nature of this resolution is aligned with the Trustee's key priority theme of "Corporate governance – inclusive, diverse decision-making".

Date of vote	Company	Size of holding (%)*	Summary of the Resolution	How Ruffer voted	Outcome	Next Steps**	Rationale for the voting decision	Why Vote is Significant
						impact to the company.	transaction realises significant hidden value for shareholders and this value is being returned to us in the form of a special dividend. Lastly, given the higher-interest rate environment, it makes sense to lower the leverage employed in the business, which a part of the proceeds of this transaction is going to be put towards. On balance Ruffer felt comfortable with this transaction and have raised their concerns in a meeting with management . Considering all these, Ruffer concluded that receiving a fair price while unlocking latent value within the conglomerate and refocusing the company on its core strengths in China and SE Asia are sufficient reasons for us to support this transaction.	

Source: Investment Manager

*The size of holding has been provided as a % of the investment manager fund at the date of the resolution, and votes provided have been organized by size.

**Where there is information that has not been provided by the manager, the Trustee's investment advisor has requested this information from the manager, or confirmation as to why this information has not been provided.

During 2023 the Trustee undertook a review of Ruffer from an ESG perspective, including a combination of desktop analysis and a presentation / discussion session with Ruffer to answer the Trustee's questions on its voting and engagement activity. The Trustee concluded that Ruffer undertakes a high level of in-house due diligence when deciding how to vote on resolutions.

LGIM (DGF)

LGIM's Investment Stewardship team uses Institutional Shareholder Services (ISS)'s 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.

In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- 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 they 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.

Key votes undertaken over the prior year are summarised below:

- There have been 93,090 votable proposals over the year and LGIM has voted on 99.8% of these on behalf of the Trustee.
- LGIM voted with management on 76.6% of the proposals, against management on 23.1% and abstained on 0.3%.

LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM’s policy not to engage with its investee companies in the three weeks prior to an AGM, as its engagement is not limited to shareholder meeting topics. On certain occasions, prior to an AGM LGIM will pre-declare its vote intention on the LGIM Blog. As part of this process, a communication would be sent to the company ahead of the meeting.

Significant vote examples:

Date of vote	Company	Size of holding (%)*	Summary of the Resolution	How you voted	Outcome	Next Steps	Rationale for the voting decision	Why Vote is Significant
4 May 2023	Prologis, Inc.	0.42	Elect Director Jeffrey L. Skelton	Against	Pass	LGIM will continue to engage with their investee companies, publicly advocate their position on this	A vote against is applied as LGIM expects a company to have at least one-third women on the board. 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. Independence. LGIM	The governance nature of this resolution is aligned with the Trustee’s key priority theme of “Corporate governance –

Date of vote	Company	Size of holding (%)*	Summary of the Resolution	How you voted	Outcome	Next Steps	Rationale for the voting decision	Why Vote is Significant
						issue and monitor company and market-level progress.	expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.	inclusive, diverse decision-making".
23 May 2023	Shell Plc	0.30	Approve the Shell Energy Transition Progress	Against	Pass	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.	A vote against is applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	The environmental nature of this resolution is aligned with the Trustee's key priority theme of "climate change".
14 June 2023	Toyota Motor Corp.	0.21	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	For	Fail	LGIM will continue to engage with the company and monitor progress.	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. LGIM acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent	The environmental nature of this resolution is aligned with the Trustee's key priority theme of "climate change".

Date of vote	Company	Size of holding (%)*	Summary of the Resolution	How you voted	Outcome	Next Steps	Rationale for the voting decision	Why Vote is Significant
							years. However, LGIM believes that additional transparency is necessary with regards to the process used by the 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. LGIM believes 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.	
2 May 2023	Public Storage	0.17	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	For	Fail	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.	A vote in favour is applied as 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.	The environmental nature of this resolution is aligned with the Trustee's key priority theme of "climate change".
24 May 2023	Amazon.com, Inc.	0.13	Report on Median and Adjusted Gender/Racial Pay Gaps	For	Fail	LGIM will continue to engage with the company and monitor progress.	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is	The governance nature of this resolution is aligned with the Trustee's key priority theme of "Corporate governance –

Date of vote	Company	Size of holding (%)*	Summary of the Resolution	How you voted	Outcome	Next Steps	Rationale for the voting decision	Why Vote is Significant
							an engagement and voting issue, as LGIM believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.	inclusive, diverse decision-making”.
26 May 2023	TotalEnergies SE	0.12	Approve the Company's Sustainable Development and Energy Transition Plan	Against	Pass	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	A vote against is applied. LGIM recognises the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, LGIM remains concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.	The environmental nature of this resolution is aligned with the Trustee's key priority theme of “climate change”.

Source: Investment Manager

*The size of holding has been provided as a % of the investment manager fund at the date of the resolution, and votes provided have been organized by size.

During 2023 the Trustee undertook a review of LGIM from an ESG perspective, including a combination of desktop analysis and a presentation / discussion session with LGIM to answer the Trustee's questions on its voting and engagement activity. The Trustee concluded that LGIM has a well-resourced team and an active programme of policy engagement activity which evidences challenge of corporate management teams, supported by its voting activity.