

## **Instrumentation Laboratory (UK) Limited Retirement Benefits Scheme (the “Scheme”) – Engagement Policy Implementation Statement**

### **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 31 May 2023. This statement has been produced in accordance with The Pension Protection Scheme (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 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 it has 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 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.

The objectives set out above provide a framework for the Trustees when making investment decisions.

### **Review of the SIP**

The Trustees last reviewed the SIP in December 2021 following the implementation of the new investment strategy.

Over the year to 31 May 2023, no changes were made to the Scheme’s SIP.

### **Policy on ESG, Stewardship and Climate Change**

The Scheme’s SIP includes the Trustees’ policies on 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 on December 2021. The Trustees, following advice of the Investment Consultant, are currently in the process of reviewing their ESG policy.

The Scheme's ESG policy will outline the key principles, and the Trustees' approach to considering sustainability risk and other Environmental, Social and Corporate Governance (ESG) factors.

The Trustees believe in the importance of sustainability, more specifically, in protecting the environment by minimising the negative impact of its companies' operations and by promoting the sustainable use of natural resources, protecting and where possible enhancing the environment by reducing the environmental impacts, preventing pollution, mitigating, and adapting to climate change and a low carbon future and complying with all applicable environmental laws, rules and regulations. Specifically, the set key priorities are:

- Carbon reduction & delivering 'net zero'
- Waste management
- Transport and travel
- Environmental education and awareness

The Trustees recognise that ESG and climate change matters carry reputational considerations and the Trustees are therefore keen to ensure that they have a strong understanding of the Sponsoring Company's position on ESG and climate change. The Trustees also intend to align with the Sponsoring Company in this respect by committing to the UN Sustainable Development Goals.

The Scheme's assets are invested in pooled funds. Therefore, the Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. In addition, the Trustees have invested in the Infrastructure sleeve of the Mercer Private Markets Fund, both of which are mandated to have significant sustainable investments. Furthermore, the Trustees receive Mercer's ESG rating for each fund and monitors them on a semi-annual basis.

The Trustees have reviewed the ESG policies of their managers and concluded that they are appropriate. The Trustees will, with the assistance of the investment consultant, regularly review those policies and the impact of said policies to ensure they are appropriate and will take action where necessary.

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

### **Scheme's Investment Structure**

The Trustees, after considering appropriate investment advice, has invested the majority of the Scheme's assets through a Trustee Investment Policy ("TIP") from Mobius whose appointment foregoes the need for a Custodian. The exception to this is a 19% allocation to the Mercer Private Investment Partners VI SICAV-SIF Private Markets Fund.

The Mobius TIP facilitates investment into a range of underlying funds managed by third party investment managers and the value of the Mobius TIP is directly linked to the change in value in the underlying funds. All of the underlying investment managers used by the Trustees through the Mobius platform are chosen based on advice from the Investment Adviser. This is based on the Investment Adviser's view of their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. If a manager is significantly downgraded by Mercer's Manager Research Team (MMRT), Mercer will inform the Trustees so that a decision may be taken to replace if necessary.

The Trustees will only invest in pooled investment vehicles through the Mobius platform and via Mercer. The Trustees therefore accept that they cannot specify the risk profile and return targets of the managers, but the pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The underlying investment managers the funds are invested in are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

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.

### **Trustee Engagement**

The Trustees, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. In particular, the Trustees will monitor:

- The performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time periods will be considered, the focus will be on the medium to long-term performance of the investment manager / fund. Where performance has failed to meet expectations and/or the MMRT's views on the future expectations of performance has changed, the underlying investment manager / fund would be replaced with a suitable alternative;
- Performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustees must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;

- It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g. general market movements. The level of risk will be monitored on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately;
- The Scheme's ESG policy (currently being reviewed) will be reviewed at least annually, or more frequently if:
  - Meaningful change is made to the integration of sustainability risks into the Trustee's investment and funding strategies.
  - Relevant legislation or regulation requirements change.
- The ESG and Stewardship policies of the underlying investment manager will be reviewed on a regular basis. As the Scheme invests in pooled funds, the Trustees recognise that its ability to influence the stewardship policies of the underlying investment manager is limited. As such, any changes to the Trustees view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

The Trustees have delegated day to day investment decisions to their investment managers. However, the Trustees, through the Investment Consultant, do encourage their investment managers to consider whether adherence to the UK Stewardship Code, is appropriate for their mandate. All of the Scheme's investment managers are signatories of the current UK Stewardship Code.

In the relevant year, the Trustees have not engaged with Mobius, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change.

As a fund of funds provider, Mercer does not engage directly with the underlying holdings within the fund. Nor do they currently keep a record of the engagements undertaken by the underlying fund managers. This is partly due to the differing reporting provided by the underlying fund managers on engagement activities within private markets, which makes it difficult to collate and compare between different providers.

### **Voting Activity**

As noted earlier, 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 underlying pooled funds that invest in equities). Please note that the equity exposure within the Columbia Threadneedle LDI Equity-linked Real DLDI Sub-Fund and the Columbia Threadneedle LDI Equity-linked Nominal DLDI Sub-Fund is obtained synthetically through futures contracts and, as a result, there are no voting rights attached to these funds. Fixed income, private investments, and funds of funds investments with no direct listed equity exposure have no voting rights and are excluded from the voting activity reporting.

The Trustees expect to be more active in challenging the investment manager in relation to voting and engagement in the future. It is expected that if the investment manager presents to the Trustees at future meetings, the Trustees will ask them to highlight key voting activity and the impact on the portfolio.

DWP released a set of 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 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 define a significant vote as one which aligns with the broader Environmental, Social and Governance themes (set out above), narrowed down by size of holding with a significant vote relating to material holdings (a company that represented at least 0.05% of the year-end market capitalisation of any fund in which the Scheme was invested during the year).

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.

The key voting activity on behalf of the Trustees over the 12 months to 31 May 2023 is set out below. In all cases, the underlying investment managers responded with data over the year to the nearest available quarter end.

Fund	Proxy voter used?	Votes cast		
		Votes in total	Votes against management endorsement	Abstentions
Nordea Diversified Return Fund NB: Please note that the data for this fund covers the one year period to 31 March 2023.	<p>ISS – for the technical expertise and voting platform, as well as their global reach and analysis</p> <p>NIS – small niche player which provides input that is very valuable in the evolution of Nordea’s own Corporate Governance principles. Mainly used for analysis.</p> <p>Nordea makes all its own voting decisions and the two providers are used to get a second and third opinion on the issues Nordea vote on, both from a global best practice and from a Nordic perspective.</p>	2,363	208	39
LGIM Diversified Fund NB: Please note that the data for this fund covers the one year period to 30 June 2023.	ISS – for their electronic voting platform. A custom voting policy with specific voting instructions has been put in place to ensure their proxy provider votes in accordance with LGIM’s position on ESG.	92,660	21,191	371
JPM Emerging Markets Opportunities Fund NB: Please note that the data for this fund covers the one year period to 31 March 2023.	ISS – Uses platform for voting recommendations. Voting decisions are made on a case by case basis by in-house specialists in conjunction with the Analyst and/or Fund Manager in reference to the JPMAM	1,201	91	22

Notes:  
ISS = Institutional Shareholder Services Inc.  
NIS = Nordic Investor Services  
Voting information provided by the investment managers.

Votes for the AVC funds have not been considered as they are not considered to be material in the wider context of the Scheme.

Below are some examples of engagements with companies and significant votes on behalf of the Trustees over the year to 30 June 2023 (where this is not the case, the nearest available quarter applies):

### Nordea Diversified Return

Holding details	Resolution details	How the manager voted	Reason for manager's vote	Outcome of the vote	Why is this vote classed as most significant?	Next Steps
<p><b>Company name:</b> Monster Beverage Corporation</p> <p><b>Approximate size of holding as at date of vote:</b> 0.1%</p>	<p><b>Summary of Resolution:</b> GHG Emissions</p> <p><b>Date of vote:</b> 14-06-2022</p>	For (against management recommendation)	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	ND <sup>(1)</sup>	Climate – Reporting	ND <sup>(1)</sup>

(1) Information not provided by the investment manager

### LGIM Diversified Fund

Holding details	Resolution details	How the manager voted	Reason for manager's vote	Outcome of the vote	Why is this vote classed as most significant?	Next Steps
<p><b>Company name:</b> Shell Plc</p> <p><b>Approximate size of holding as at date of vote:</b> 0.3%</p>	<p><b>Summary of Resolution:</b> Resolution 25 - Approve the Shell Energy Transition Progress</p> <p><b>Date of vote:</b> 23-05-2023</p>	Against (against management recommendation)	Climate change: 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.	80% (Pass)	Climate – Climate Change Transition Plan	LGIM continues to undertake extensive engagement with Shell on its climate transition plans

<p><b>Company name:</b> Toyota Motor Corp.</p> <p><b>Approximate size of holding as at date of vote:</b> 0.2%</p>	<p><b>Summary of Resolution:</b> Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement</p> <p><b>Date of vote:</b> 14-06-2023</p>	<p>For (Against Management Recommendation)</p>	<p>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 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. Furthermore, LGIM expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. 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.</p>	<p>15% (Fail)</p>	<p>Climate – Lobbying</p>	<p>LGIM will continue to engage with the company and monitor progress.</p>
<p><b>Company name:</b> Public Storage</p> <p><b>Approximate size of holding as at date of vote:</b> 0.2%</p>	<p><b>Summary of Resolution:</b> Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal</p> <p><b>Date of vote:</b> 02-05-2023</p>	<p>For (against management recommendation)</p>	<p>Shareholder Resolution - Climate change: 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.</p>	<p>35% (Fail)</p>	<p>Climate – Reporting</p>	<p>LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.</p>
<p><b>Company name:</b> Mitsubishi UFJ Financial Group, Inc.</p> <p><b>Approximate size of holding as at date of vote:</b> 0.1%</p>	<p><b>Summary of Resolution:</b> Resolution 3 - To amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement</p> <p><b>Date of vote:</b></p>	<p>For (Against Management Recommendation)</p>	<p>LGIM continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the</p>	<p>ND <sup>(1)</sup></p>	<p>ND <sup>(1)</sup></p>	<p>LGIM will continue to engage with the company and monitor progress.</p>



	29-06-2023		companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world. LGIM believes that the drafting of the resolution text is sufficiently general as not to be overly prescriptive on management given the binding nature of amending the articles of incorporation.			
<b>Company name:</b>  Sumitomo Mitsui Financial Group, Inc.  <b>Approximate size of holding as at date of vote:</b>  0.1%	<b>Summary of Resolution:</b>  Resolution 3 - To amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement  <b>Date of vote:</b>  29-06-2023	For (Against Management Recommendation)	LGIM continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world. LGIM believes that the drafting of the resolution text is sufficiently general as not to be overly prescriptive on management given the binding nature of amending the articles of incorporation.	ND <sup>(1)</sup>	Climate – Transition Plan	LGIM will continue to engage with the company and monitor progress.
<b>Company name:</b>  Schneider Electric SE  <b>Approximate size of holding as at date of vote:</b>  0.1%	<b>Summary of Resolution:</b>  Resolution 17 - Approve Company's Climate Transition Plan  <b>Date of vote:</b>  04-05-2023	Against (against management recommendation)	Climate change: A vote against 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.	ND <sup>(1)</sup>	Climate – Transition Plan	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
<b>Company name:</b>  JPMorgan Chase & Co.	<b>Summary of Resolution:</b>  Resolution 9 - Report on Climate Transition Plan	For (Against Management)	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to	35% (Fail)	Climate – Reporting	LGIM will continue to engage with the company and monitor progress.

<p><b>Approximate size of holding as at date of vote:</b></p> <p>0.1%</p>	<p>Describing Efforts to Align Financing Activities with GHG Targets</p> <p><b>Date of vote:</b></p> <p>16-05-2023</p>	<p>Recommendation)</p>	<p>achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.</p>			
<p><b>Company name:</b></p> <p>Mizuho Financial Group, Inc.</p> <p><b>Approximate size of holding as at date of vote:</b></p> <p>0.1%</p>	<p><b>Summary of Resolution:</b></p> <p>Resolution 2 - To amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement</p> <p><b>Date of vote:</b></p> <p>23-06-2023</p>	<p>For (Against Management Recommendation)</p>	<p>LGIM continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world. LGIM believes that the drafting of the resolution text is sufficiently general as not to be overly prescriptive on management given the binding nature of amending the articles of incorporation.</p>	<p>19% (Fail)</p>	<p>Climate – Transition Plan</p>	<p>LGIM will continue to engage with the company and monitor progress.</p>

(1) Information not provided by the investment manager

## JPM Emerging Markets Opportunities Fund

The votes casted by JP Morgan over the year to 31<sup>st</sup> of March 2023 were not significant votes as defined by the Trustees.