

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 Engagement Policy in the Statement of Investment Principles (‘SIP’) produced by the Trustees has been followed during the year to 31 May 2025. This Statement has been produced in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and subsequent amendments; and the statutory and non-statutory guidance from the Department of Work and Pensions.

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 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.

Investment Strategy

Over the year to 31 May 2025, the Trustees agreed to a revised investment strategy. The revised investment strategy was implemented in June 2024. The strategy update aimed to restructure the scheme’s assets, in order to realign the hedge ratios back to the agreed targets and to top up the Mercer Absolute Return Fixed Income Fund, which is the feeder fund for private market drawdowns. As a result, no new mandates were implemented as part of this strategy update.

Review of the SIP

The Scheme's SIP was last updated in June 2024, to reflect the revised investment strategy.

The Trustees consulted with the Sponsoring Company in finalising the SIP. The SIP was made publicly available and can be accessed on this link: [Statement of Investment Principles - June 2024 \(werfen.com\)](https://www.werfen.com/Statement-of-Investment-Principles-June-2024)

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. The ESG policy was last reviewed in November 2023.

The Scheme's ESG policy outlines 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 integration assessment 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 Adviser 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, have 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 an 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 that 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 will be reviewed periodically and frequency may depend on whether:
 - Meaningful changes are 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 managers 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 managers is limited. As such, any changes to the Trustees view on these matters, or a change in the stewardship policies of the investment managers, could potentially result in the investment managers being replaced.

The Trustees have delegated day to day investment decisions to their investment managers. However, the Trustees, through the Investment Adviser, 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 there are 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 managers in relation to voting and engagement in the future. It is expected that if an 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 have identified that the following themes are the most important stewardship priority:

- D&I – inclusive and diverse work environments.
- Environmental – ongoing compliance with all applicable laws and government regulations concerning environmental matters.
- Environment - commitment to assess and where possible, reduce GHG emissions.
- Social – committed to upholding human rights as recognized by the principles of the United Nations Global Compact.

The significant votes shown in this statement relate to these, narrowed down by size of holding with a significant vote relating to material holdings (a company that represented at least 1% 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 2025 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 30 June 2025.	ISS – for the technical expertise and voting platform, as well as their global reach and analysis 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. 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.	2,555	362	48
LGIM Diversified Fund NB: Please note that the data for this fund covers the one year period to 30 June 2025.	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.	103,985	23,012	1,383
LGIM Future World Global Equity Index Fund NB: Please note that the data for this fund covers the one year period to 30 June 2025.	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.	55,228	9,626	668

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 Scheme year to 31 May 2025 (where this is not the case, the nearest available quarter end applies). The investment managers have not been able to provide client specific significant voting data but instead provided voting data across a wide range of themes.

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
Company name: Meta Platforms, Inc. Approximate size of holding as at date of vote: 1.0%	Summary of Resolution: Report on Combatting Risks of Online Child Exploitation Date of vote: 28-05-2025	For shareholder proposal	Nordea voted for the shareholder proposal as the company's current disclosures provide insufficient transparency to properly assess the associated risks and opportunities.	Against	Social – Human Rights	Nordea will continue to support shareholder proposals on this issue as long as it is needed.
Company name: Meta Platforms, Inc. Approximate size of holding as at date of vote: 1.0%	Summary of Resolution: Report on Hate Targeting Marginalized Communities Date of vote: 28-05-2025	For shareholder proposal	Nordea voted for the shareholder proposal as the company's current disclosures provide insufficient transparency to properly assess the associated risks and opportunities.	Against	Social – Human Rights	Nordea will continue to support shareholder proposals on this issue as long as it is needed.
Company name: Microsoft Corporation Approximate size of holding as at date of vote:	Summary of Resolution: Report on Risks of Operating in Countries with Significant Human Rights Concerns Date of vote:	For shareholder proposal	Nordea supports the proposal as it improves transparency on material ESG issues such as human rights risk.	For	Social – Human Rights	Nordea will continue to support shareholder proposals on this issue as long as it is needed.

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
4.5%	12-10-2024					

LGIM Diversified Fund

The votes casted by LGIM for the Diversified Fund over the year to 31 May 2025 were not significant votes as defined by the Trustees.

LGIM Future World Global Equity

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>Company name: Meta Platforms, Inc.</p> <p>Approximate size of holding as at date of vote: 1.6%</p>	<p>Summary of Resolution: Resolution 1.1: Elect Director Peggy Alford</p> <p>Date of vote: 28-05-2025</p>	Against	Diversity: A vote against is applied as LGIM expects a company to have at least one-third of women on the board.	(1)	Social – Diversity and inclusion	LGIM will continue to engage with Meta Platforms, publicly advocate their position on this issue and monitor company and market-level progress.
<p>Company name: Broadcom Inc.</p> <p>Approximate size of holding as at date of vote: 1.2%</p>	<p>Summary of Resolution: Resolution 1g: Elect Director Henry Samueli</p> <p>Date of vote: 21-04-2025</p>	Against	Climate Impact Pledge: A vote against is applied as the company is deemed not to have made sufficient progress against our climate expectations and red lines, as set out in our sector guides through LGIM's dial-mover engagement programme.	Pass	Climate – Climate Impact Pledge	LGIM will continue to engage with Broadcom Inc., publicly advocate their position on this issue and monitor company and market-level progress.

(1) Information not provided by the investment manager