

Fuchs Lubricants Pension Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 December 2023

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees has been followed during the year to 31 December 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Trustee's Investment Objectives

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

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.

In doing so, the Trustees aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

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

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustees' policies on ESG factors, stewardship and climate change. The policies were last reviewed in February 2023 when the SIP was updated following a review of the Scheme's investment strategy. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The Trustees recognise that a proportion of the Scheme's assets are invested on a passive basis, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change. Nonetheless, the Trustees can confirm that they have acted in accordance with the SIP in relation to voting and engagement activities over the year under review.

Investment Structure

The Scheme's only investment is a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. The Trustees have no direct relationship with the Scheme's underlying investments managers. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Atkin.

Engagement

In the year to 31 December 2023, the Trustees have not actively engaged with the pooled investment managers on matters pertaining to ESG, stewardship or climate change.

However, the Trustees have received a detailed ESG monitoring report produced by Mobius which include ESG specific ratings of the funds held and this will help to determine whether further action should be taken. The Trustees are also working with Atkin to consider actions that can be taken to engage with the investment managers going forward.

Voting Activity

The Trustees have delegated their voting rights to the Scheme's investment managers. 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.

The Trustees note that best practice in developing a statement on voting and engagement activity is evolving and will take on board industry activity in this area before the production of next year's statement.

Commented [BN1]: We could provide a link to this report or suggest it is uploaded alongside the implementation report on their website.

Commented [PT2R1]: Suggest upload alongside implementation report

The table on the following pages sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes Description	Significant votes examples
		Votes in total	Votes against management endorsement	Abstentions		
Sterling Liquidity Fund Buy & Hold	N/A – Liquidity Fund					
L&G Life CN AAA-AA-A Corporate Bond – All Stocks Index Fund	N/A – Corporate Bond Fund					
L&G Life AP Over 5 Year Index-Linked Gilts Index Fund	N/A – Gilts Fund					
L&G Life AF Over 15 Year Gilts Index Fund	N/A – Gilts Fund					
CT LDI Nominal Dynamic LDI Fund	N/A – LDI Fund					
CT LDI Real Dynamic LDI Fund	N/A – LDI Fund					
Blackrock Aquila Connect UK Equity Fund	Institutional Shareholder Services (ISS) and Glass Lewis – recommendations only. All voting decisions are made by BlackRock and they do not outsource any part of the strategic decisions.	9974 resolutions	2.94% of votes cast	0.11% of eligible votes	During the period, the BlackRock Investment Stewardship team (BIS) periodically published detailed explanations of specific key votes in “vote bulletins”. These bulletins are intended to explain BlackRock’s vote decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. BlackRock make this information public shortly after the shareholder meeting, so clients and others can be aware of their vote determination when it is most relevant to them. BlackRock consider these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.	Shell – vote to approve the Shell Energy Transition progress. The vote passed. Glencore Plc – vote to approve the 2022 Climate report. The vote passed. However, BIS voted against as they believed the proposal was not in the best interest of shareholders. Rio Tinto Plc – vote to elect Dominic Barton as Director. The vote passed. Ocado Group Plc – vote to approve the remuneration policy. The vote passed. However, BIS voted against as the belief was the remuneration arrangements were poorly structured.
Blackrock Aquila Connect European Equity Fund	Same as above	8581 resolutions	10.05% of votes cast	1.32% of eligible votes	Same as above	Danske Bank A/S – vote regarding the Climate Action Plan: Asset management policy. The vote failed and BIS voted against due to the belief that the proposal was not in the best interest of shareholders.

						Koninklijke Ahold Delhaize NV – vote to approve the remuneration policy. BIS voted in favour and the vote passed.
Blackrock Aquila Connect Japanese Equity Fund	Same as above	5880 resolutions	3.67% of votes cast	0% of eligible votes	Same as above	<p>Toyota Motor Corp – vote to Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement. The vote failed and BIS voted against the vote due to the belief that the proposal would not serve shareholder's interests.</p> <p>Mitsubishi Corp – vote to Amend Articles to disclose evaluation concerning consistency between capital expenditure and net zero greenhouse gas emissions by 2050 Commitment. The vote failed and BIS voted against the vote due to the belief that the proposal would not serve shareholder's interests.</p>
Blackrock Aquila Connect Pac Rim Equity Fund	Same as above	3107 resolutions	10.33% of votes cast	0.03% of eligible votes	Same as above	<p>Santos Limited – vote to approve amendments to the Company's constitution. The vote failed and BIS voted against the vote due to the belief that shareholder proposals were best facilitated through regulatory changes.</p> <p>The Hong Kong and China Gas Company Limited – vote to elect David Li Kwok-Po as director. The vote failed and BIS voted against the vote due to nomination committee not being majority independent.</p>
Blackrock US Connect Equity Fund	Same as above	7564 resolutions	2.67% of votes cast	0% of eligible votes	Same as above	<p>Broadcom Inc – vote to ratify named executive officers' compensation. The vote failed and BIS voted against the vote due to the belief that pay is not aligned with performance and peers.</p> <p>The Goldman Sachs Group, Inc – vote to Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development. The vote failed and BIS voted against the vote due to the request either not being clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the Company.</p>