

STILL MATERIALS HANDLING LIMITED PENSION SCHEME

APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Introduction

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles ('SIP') dated September 2020 have been implemented.

It also includes the Trustee's voting and engagement policies as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, is also included within this Statement.

This Statement covers the year from 6 April 2023 to 5 April 2024.

Investment objectives of the Scheme

The Trustee's objectives for setting the investment strategy of the Scheme have been set with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustee's primary objectives are set out on page 1 of the SIP and are as follows:

- To ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer.
- To have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy.
- To ensure that, where an actuarial valuation deficit is identified, the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustee will take into account the strength of the employer's covenant when determining the expected improvement in the solvency position of the Scheme.

The Trustee appreciates that these objectives are not necessarily mutually exclusive

The Trustee also recognises that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

Review of the SIP

The SIP was last reviewed in September 2020. The Trustee updated the SIP to take account of new investment regulations in relation to Environmental, Social & Governance (ESG) considerations.

The Trustee has a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustee's SIP.

The Trustee's policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated during the year.

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Investment managers and funds in use

The investment funds used during the year are set out in the table below, which reflects the 2020 SIP:

Asset Class	Fund	Target Asset Allocation (%)
Global equities	LGIM Global Equity Fixed Weights (50:50) Index Fund	20.0
Investment grade corporate bonds	M&G Long Dated Corporate Bond Fund	40.0
Index-linked gilts	LGIM Over 5 Year Index-Linked Gilts Index Fund	40.0
Total		100.0

There have been no changes to either the investment managers or the target asset allocation for the Scheme's invested assets over the Scheme year.

Investment governance

The Trustee is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustee's investment consultant, which was appointed during the Scheme year. Aon Solutions UK Limited ('Aon') was the Trustee's investment consultant at the start of the year.

The Trustee does not actively obtain views of the membership of the Scheme to help form its policies set out in the SIP as the Trustee's primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective.

The Trustee has put in place objectives for Broadstone, as the Trustee's investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were set by the Trustee on 4 October 2023. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

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Trustee's Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.</p> <p>The assets of the Scheme are invested in the best interests of the members and beneficiaries.</p> <p>The Trustee exercises its powers of investment (or delegation where these powers have been delegated to the investment managers) in a manner calculated to ensure the security, quality, liquidity, and profitability of the portfolio as a whole. To avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.</p> <p>Assets held to cover the Scheme's Technical Provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.</p> <p>The assets of the Scheme are invested predominantly in regulated markets (with investments not in regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.</p> <p>Investment in derivatives is made only in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.</p>	No deviation from this policy over the year to 5 April 2024.
Balance of Investments	<p>The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation. It therefore retains responsibility for setting the Scheme's overall asset allocation and takes expert advice as required from its professional advisers.</p> <p>The Trustee reviews its investment strategy in conjunction with each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.</p> <p>The asset allocation set out in the Appendix of the Scheme's SIP was implemented after considering the results of the actuarial valuation and following discussions with the employer and the Scheme's advisors. A broad range of available asset classes in which to invest has been considered by the Trustee. For example, this includes consideration of property, private equity and hedge funds.</p>	No deviation from this policy over the year to 5 April 2024.

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Delegation to Investment Managers	The day-to-day management of the Scheme's assets has been delegated to investment managers who are authorised and regulated by the Financial Services Authority.	No deviation from this policy over the year to 5 April 2024.
Realising Investments	The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise. Most of the assets held are realisable at short notice through the sale of units in pooled funds.	No deviation from this policy over the year to 5 April 2024.
Effective Decision Making	<p>The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information, and resources necessary to take them effectively. It also recognises that where it takes investment decisions, it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.</p> <p>The Trustee believes that given the scale of the Scheme and the relatively small number of Trustee, a separate investment sub- committee would not be appropriate. Therefore, all investment decisions are discussed by the whole Trustee body before decisions are taken. The Trustee seeks assistance from the Scheme's investment consultant where it deems it to be necessary.</p>	No deviation from this policy over the year to 5 April 2024.
Maintaining the Target Asset Allocation	To ensure the assets are re-balanced in line with the asset allocation strategy, the Trustee reviews the balance of the assets on a regular basis, following which appropriate corrective action is taken if necessary.	No deviation from this policy over the year to 5 April 2024.
Performance Benchmarks and Objectives	<p>The investment grade corporate bond fund is actively managed, and the Investment Manager has been set a Performance Objective to achieve returns in excess of a benchmark.</p> <p>The global equities and index-linked gilts funds are passively managed, and the Investment Manager has been set Performance Objectives to achieve returns in-line with a benchmark.</p> <p>The performance benchmarks and objectives of the funds used are set out on page 8 and 9 on the Scheme's SIP.</p>	No deviation from this policy over the year to 5 April 2024.
Investment Management Charges	<p>The investment management charges of the funds used are set out on page 10 of the SIP.</p> <p>The investment managers are primarily remunerated based on an agreed annual percentage of the holdings of each fund invested in. The annual management charge for the global equities fund used is 0.165%, for the investment grade corporate bond fund is 0.300%, and for the index-linked gilts fund is 0.100%.</p> <p>In addition to the annual fund charges, LGIM charge a flat annual administration fee of £1,500.</p>	No deviation from these charges over the year to 5 April 2024.
Financially and Non-Financially Material Considerations	The Trustee's policy on financially and non-financially material considerations ("Social, Environmental or Ethical Considerations") is set out on page 4 and 5 of the SIP and in full below.	No deviation from this policy over the year to 5 April 2024 (see below).

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Engagement and Voting Rights	<p>The Trustee annually reviews the stewardship activities of its asset managers covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Scheme's asset managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.</p> <p>The Trustee will engage with its managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned.</p>	No deviation from this policy over the year to 5 April 2024 (see below).
Additional Voluntary Contributions (AVCs)	<p>Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.</p> <p>From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.</p>	No deviation from this policy over the year to 5 April 2024.

Financially and non-financially material considerations

The Trustee monitors the investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which asset managers make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity, and engage with issuers of debt or equity to improve their performance in the medium- to long-term.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in its SIP, with the Scheme's asset managers, and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the managers but could ultimately replace the asset managers where this is deemed necessary. However, these matters are kept under review by the Trustee.

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Financially and non-financially material considerations (continued)

The Trustee's views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Actively or Passively Managed	Comments
Equities	Passive	The Trustee acknowledges that the Investment Manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustee does expect the Investment Manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Investment grade corporate bonds	Active	The Trustee expects the Investment Manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its Investment Manager to engage with investee companies, where possible, although it appreciates that fixed income assets do not typically attract voting rights.
Index-linked gilts	Passive	The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Voting rights and engagement activities

The Trustee currently invests in pooled investment funds with the Investment Managers, and it acknowledges that this limits its ability to directly influence each Investment Manager. In particular, all voting activities have been delegated to the Investment Managers, as the Trustee is unable to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

However, the Trustee periodically reviews its Investment Managers' stewardship reports and considers how the managers have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustee. As part of this, the Trustee may seek to challenge its Investment Managers on these matters where it thinks this is in the best interests of members.

Out of the funds held by the Trustee over the year, the LGIM Global Equity Fixed Weights (50:50) Index Fund contains publicly listed equity holdings. This fund has voting rights attached to the underlying equities held within the fund, and the Trustee has delegated these voting rights to the manager, where the manager sets its own voting policy.

A summary of the votes made by LGIM from 1 April 2023 to 31 March 2024 on behalf of the Trustee for the fund used by the Trustee during the year was requested from the manager. It was requested that the manager provides voting data broken down into Environmental, Social, and Governance categories, however, the manager advised that the data is not yet available in this format. The Trustee will continue to request the breakdown of this data in future periods.

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Voting rights and engagement activities (continued)

The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted		
			For	Against	Abstained
LGIM	Global Equity Fixed Weight (50:50) Index Fund	39,232	82%	18%	-

All of the Scheme's assets are invested in pooled funds. Regarding proxy voting, LGIM do not use a proxy voting service to determine their voting policy, which is formed in-house. LGIM do, however, use Institutional Shareholders' Service's Proxy Exchange voting platform to vote on resolutions electronically.

Significant votes

The Trustee has requested details of the significant votes made on behalf of the Trustee by the manager of the fund in which the Scheme invests which has voting rights. In determining significant votes, the manager'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 votes which have 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 the manager's annual Stakeholder roundtable event, or where we 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 any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

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Significant votes (continued)

The Trustee believes the following is the most significant vote undertaken on its behalf over the scheme year by LGIM:

Significant Vote	
Investment Manager	LGIM
Company	Shell Plc
Date of vote	23 May 2023
Percentage of portfolio invested in Company	3.53%
Resolution	Approve the Shell Energy Transition Progress
Why significant	LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C temperature increase scenario. Given the high profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
Voting decision	Voted against
Manager comments	“We acknowledge 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, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations.”
Vote outcome	Resolution passed

Engagement activities

The Trustee has also delegated engagement activities to the Investment Managers. A notable engagement activity from each Investment Manager is provided below:

- LGIM** met with the management team of Heidelberg Cement, a large international cement producer, during the year to discuss the progress and economic viability of the company’s planned carbon capture and storage (CCS) projects. LGIM note that cement production is responsible for around 8% of global carbon emissions each year, and therefore believe the cement industry needs to decarbonise significantly for the world to reach net zero carbon emissions. As a result, the sector is designated as ‘climate critical’ by LGIM.

Heidelberg believes it has an industry leading decarbonisation policy as well as first-mover advantage in CCS. LGIM raised questions regarding the relative costs and economics of CCS, external factors affecting viability of CSS projects (such as possible regulation or government subsidisation), and expectations of demand for ‘carbon-free’ cement.

LGIM will continue to engage with Heidelberg Cement as well as other competitors in the cement industry on their decarbonisation targets and trajectory. For Heidelberg Cement, LGIM believes CSS will only become economical when met with either an increase in the price of permits for generating carbon emissions, or if customers are willing to pay a premium for carbon-free cement. LGIM will continue to monitor these dynamics and discuss with management going forwards.

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Engagement activities (continued)

- **M&G** met with the investor relations of Euronav, a Belgian shipping company which focuses on crude oil transportation and storage, to advise their expectations regarding 2025 and 2030 absolute emission reduction targets, provision of greater disclosure on how the company is working to decarbonise its capital expenditure, and linkages between climate targets and executive compensation. Following the engagement, Euronav confirmed that all of its finance agreements contain built-in trajectories to cut emissions year on year and that its targets between now and 2030 would be reasonable to achieve by focusing on existing operations. The company also agreed to provide more clarity on its disclosures moving forwards. M&G advise that the company has confirmed its commitment to developing new fuel technologies, and that it is reliant on new fuel technologies to take it to the next stage of its net zero journey. M&G note its engagement with the company is ongoing.

The Trustee also considers an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and review of investment managers' actions (as detailed above), the Trustee receives performance reports on a quarterly basis from M&G and LGIM, to ensure the investment objectives set out in the Scheme's SIP are being met.