

Engagement Policy Implementation Statement for the Year Ended 5 April 2025

ELG Haniel Metals Ltd Pension & Assurance Scheme (“the Scheme”)

1. INTRODUCTION

The Engagement Policy Implementation Statement (known as the Statement) presents the Trustees' assessment of their adherence to their engagement policy and their policy concerning the exercise of rights (including voting rights) attaching to the Scheme's investments throughout the one-year period ending 5 April 2025 (the “Scheme Year”). The Trustees' policies are outlined in their Statement of Investment Principles (SIP). The SIP was last updated in January 2025 to reflect the objectives of helping guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, i.e. to provide protection for members' accrued benefits; and to ensure that the Scheme can meet its obligations to the beneficiaries. The Trustees believe the best way of achieving this is by securing all members' benefits with an insurance company. The SIP is available on request is also publicly available [here](#).

This Statement has been prepared in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* and the guidance published by the Department for Work and Pensions.

The Trustees appointed Mercer Limited (Mercer) as the discretionary investment manager and the Scheme's assets were invested in a diverse range of specialised pooled funds (known as the Mercer Funds) for the majority of the year to 5 April 2025. The management of each of the Mercer Fund's assets is carried out by a Mercer affiliate, namely Mercer Global Investments Europe Limited (MGIE). However, in December 2024, the Trustees undertook a “buy-in” by using the majority of the Scheme's assets to purchase a bulk annuity insurance policy with JUST Retirement Limited (“JUST”), a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Under this policy JUST undertake, via the Scheme, to pay the Scheme's benefit obligations as they fall due. The Trustees purchased the policy with JUST having considered appropriate advice from their advisors.

As a result of this transaction, Mercer did not have discretion over the Scheme assets as at 5 April 2025. The Trustees have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to JUST in relation to the majority of the Scheme's assets via a bulk annuity contract, and to Mercer in relation to the remaining invested assets. The annuity contract makes contractual payments to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustees have minimal direct exposure to risks arising from long-term sustainability issues, including climate change. They are however satisfied that JUST apply due consideration to ESG issues in the investment of assets underlying the contract. As such the remainder of this statement considers the Scheme assets that were invested for the majority of the year and prior to the completion of the “buy-in” transaction.

The relevant Mercer affiliate is responsible for the appointment and monitoring of a suitably diversified portfolio of specialist third party investment managers for the assets of each Mercer Fund.

Under these arrangements, the Trustees acknowledge that they do not possess direct authority over the engagement or voting policies and arrangements of the managers of the Mercer Funds. However, the Trustees have made Mercer aware that they expect MGIE to manage assets in a manner, as far as is practicably possible, that is consistent with the Trustees' engagement policy and their policy with regard to the exercise of rights attaching to the Scheme's investments. The Trustees review regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being properly implemented. Mercer's publicly available Sustainability Policy outlines how it addresses sustainability risks and opportunities, incorporating Environmental, Social and Corporate Governance (ESG) factors into the decision making across process. The Stewardship Policy provides further details on Mercer's beliefs and implementation of stewardship practices.

Section 2 of this Statement outlines the Trustees' engagement policy and evaluates the extent to which it has been followed during the Scheme Year while the Scheme had invested assets and before the completion of the "buy-in" transaction.

Section 3 sets out the Trustees' policy regarding the exercising of rights (including voting rights) attached to the Scheme's investments. This Section also provides information on the voting activities undertaken by third-party investment managers appointed within the Mercer Funds during the Scheme Year while the Scheme had invested assets and before the completion of the "buy-in" transaction.

Considering the analysis presented in Sections 2 to 3, the Trustees believe that their policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Scheme Year while the Scheme had invested assets and before the completion of the "buy-in" transaction.

2. TRUSTEES' POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE

Policy Summary

The Trustees' ESG policy is outlined in Section 9 of the Scheme's SIP.

The Trustees regularly review Stewardship and Sustainability policies as noted above. If the Trustees find that the relevant policies of Mercer, MGIE or the third-party asset managers do not align with their own beliefs they will notify Mercer. Engagement to seek alignment will be prioritised, then they may consider disinvesting some or all of the assets held in the Mercer Funds. They may also seek to renegotiate commercial terms with Mercer.

How the Policy has been implemented over the Scheme Year (prior to the completion of the "buy-in" transaction)

The following work was undertaken during the year relating to the Trustees' policy on sustainability integration, including the climate transition and effective stewardship.



Policy Updates

The **Trustees** periodically **review** how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers within the Mercer Funds, in their monitoring process. Mercer, and MGIE, provided reporting to the Trustees on a regular basis.

The Mercer [Sustainability Policy](#) is reviewed regularly. In November 2024 the Investment Philosophy section was updated. Mercer also regularly reviews its approach to integrating climate considerations into its investment decision-making process as documented in its [TCFD report](#).

The Mercer [Stewardship Policy](#) is similarly reviewed regularly. In January 2024 the policy was updated to include nature engagement priorities, and climate and diversity, equity and inclusion (DEI) voting expectations.

The Stewardship and Sustainability Policies have also been updated with the integration of nature and biodiversity as a key investment and engagement theme. Mercer is a member of the Task Force for Nature Related Financial Disclosures (TNFD) working group and a founding signatory of Nature Action 100.



Climate Change Reporting and Carbon Footprinting

Mercer and the Trustees believe climate change poses a systemic risk, with financial impacts driven by two key sources of change:

1. The physical damages expected from an increase in average global temperatures
2. The associated transition to a low-carbon economy

Each of these changes presents both risks and opportunities to investors. Mercer therefore considers the potential financial impacts at a diversified portfolio level, in portfolio construction within asset classes, and in investment manager selection and monitoring processes.

In early 2021, Mercer announced its aim to achieve net-zero absolute portfolio carbon emissions by 2050 for UK, European and Asian discretionary portfolios, and for relevant multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer also established an expectation that portfolio carbon emissions intensity would reduce by 45% from 2019 baseline levels by 2030 and is on track to achieve this. Mercer's approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), as described in the [Mercer Investment Solutions Europe - Responsible Investment website](#).



Mercer Ratings

Stewardship and active ownership form an important part of Mercer's ratings framework applied during the manager research process.

Mercer's ratings include an assessment of the extent to which ESG factors are incorporated in a strategy's investment process as well as the manager's approach to stewardship.

Across most asset classes, Mercer ratings are reviewed during quarterly monitoring by the portfolio management teams with a more comprehensive review performed annually. In these reviews, Mercer seek evidence of positive momentum on managers' ESG integration.

These ratings assigned by Mercer are included in the investment performance reports that were produced by Mercer on a quarterly basis and reviewed by the Trustees, prior to the December 2024 buy-in.

The most recent UN Principles of Responsible Investment results (based on 2022 activity) awarded Mercer with 4 out of 5 stars for Policy Governance and Strategy. The United Nations Principles for Responsible Investment (UN PRI) is a global initiative that provides a framework for incorporating sustainability considerations into investment practices.

The Financial Reporting Council confirmed in February 2025 that MGIE continues to meet the expected standard of reporting and will remain a signatory to the UK Stewardship Code, which represents best practice in stewardship.



Approach to Exclusions

Mercer and MGIE's preference is to emphasise integration and stewardship approaches, however, in a limited number of instances, exclusions of certain investments may be necessary based on Mercer's Investment Exclusions or Sensitive Topics Frameworks. Controversial weapons and civilian firearms are excluded from all multi-client equity and fixed income funds. In addition, tobacco companies and nuclear weapons are excluded from active equity and fixed income funds. **Some funds have additional exclusions** as outlined on the Mercer Investment Solutions Europe - Responsible Investment website.

In addition, Mercer and MGIE monitors funds for high-severity incidences relating to the UN Global Compact (UNGC) Principles that relate to human rights, labour, environmental and corruption issues.



Diversity

Mercer's ambition to promote diversity extends beyond its own business through to the managers it appoints. This is partly assessed within the manager research process and documented in a dedicated section within research reports.

In Q3 2022, MGIE became a signatory of the UK Chapter of the 30% Club and helped to establish the Irish Chapter over 2023. The 30% Club is a business-led initiative that aims to increase gender diversity on corporate boards and in senior leadership positions.

Mercer continues to engage with managers on its long-term goal of 30% non-male representation by 2030. Mercer expects to see a positive trajectory in this area over the next 3-5 years.



Engagement

Engagement is an important aspect of Mercer's stewardship activities on behalf of the Trustees. [The 2024 Sustainability & Stewardship Report](#) highlights the engagement objectives which have been set, examples of engagement and the escalation process. Mercer also participates in collaborative initiatives related to stewardship.

Mercer conducts an annual Global Manager Engagement survey on sustainability and stewardship topics. The survey was distributed to over 200 managers appointed in the Mercer Funds. The survey gathers information on managers' broad approach to stewardship as part of their investment integration. It also seeks insights and examples of voting and engagement activities. The results from the survey serve as an important source of information for tracking and measuring managers' stewardship efforts, assessing effectiveness, and identifying potential areas for improvement.

The results and insights from the survey will be shared in Mercer's 2024 annual Sustainability and Stewardship Report. This report is reviewed by the **Trustees** providing them with valuable information on the managers' stewardship activities and their alignment with Mercer's objectives.

3. TRUSTEES' POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

The Trustees' policy, prior to the completion of the "buy-in" transaction, was as follows:

- **Delegation of Investment Management:** The Trustees delegate responsibility for the discretionary investment management of Scheme assets to Mercer. The Scheme's assets are invested in a range of Mercer Funds for which MGIE or relevant Mercer affiliate acts as investment manager.
- **Reporting of Engagement and Voting activities:** For the Trustees to fulfil their obligations regarding voting and engagement, they require reporting on the engagement and voting activities undertaken within the Mercer Funds. This reporting helps the Trustees assess whether the policies align with their own delegation of voting rights: Voting rights that apply to the underlying investments attached to the Mercer Funds are delegated to the third-party investment managers appointed by MGIE. MGIE accepts that these managers are typically best placed to exercise voting rights and prioritise particular engagement topics, given their detailed knowledge of the governance and operations of the investee companies. However, Mercer plays a pivotal role in monitoring the stewardship activities of those managers and promoting more effective stewardship practices, including attention to more strategic themes and topics.

- **Proxy Voting Responsibility:** Proxy voting responsibility is given to listed equity investment managers with the expectation that all shares are voted⁽¹⁾ in a timely manner and in a manner deemed most likely to protect and enhance long-term value. Mercer and MGIE carefully evaluates each investment manager's stewardship capabilities (engagement and voting activities) as part of the selection process, ensuring alignment with Mercer's commitment to good governance and the integration of sustainability considerations. Managers are expected to take account of current best practice such as the UK Stewardship Code, to which Mercer is a signatory. As such the Trustees do not use the direct services of a proxy voter.

As the Scheme's sole holding (as at 5 April 2025) within the Mercer Fund Range did not have any attached voting rights, voting statistics and engagement examples have been omitted from this Statement.

In addition, following the completion of the "buy-in" transaction in December 2024 and until 5 April 2025, the Trustees' policy noted above was no longer applicable and therefore not applied.

¹ There are a number of limited circumstances where voting rights may not be exercised relating to, for example, conflicts of interest, share-blocking markets, power of attorney (POA) markets etc.