

Lincoln Electric (UK) Limited Retirement and Death Benefits Scheme (“the Scheme”)

Annual Engagement Policy Implementation Statement for the Year Ended 5 April 2023

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (‘SIP’) produced by the Trustees have been followed during the 12-month period to 5 April 2023 (“**the Scheme Year**”). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the Statement of Investment Principles (“SIP”) that were in place for the Scheme Year, which was the SIP dated May 2022.

2. Statement of Investment Principles

2.1. Investment Objectives of the Scheme

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 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 its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

2.2. Review of the SIP

Over the year, the SIP was updated in May 2022 to reflect the changes to the strategy at the time. There has been further changes to the strategy and the SIP is in the process of being updated to reflect these changes at the time of writing.

2.3. Investment Structure

The Scheme’s investments are held in a Trustee Investment Policy 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. As such, the Trustees have no direct relationship with the Scheme’s underlying managers.

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

3. Trustees Engagement

During the Scheme Year, the Trustees have not engaged with either the underlying investment managers on matters pertaining to ESG, stewardship or climate change.

However, the Trustees receive annual performance reports from Mercer, and these include Mercer's ratings (both the general and ESG specific rating) for the funds in which the Scheme is invested. This enables the Trustees to monitor the development of the ESG scores and determine whether further action should be taken in respect of specific funds. When implementing a new manager the Trustees will consider the ESG rating of the manager as part of the process.

Further information on the investment managers' approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following websites:

LGIM

<https://www.lgim.com/uk/en/responsible-investing/>

Payden

<https://www.payden.com/ESG.aspx>

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/>

Taking all the above into consideration, the Trustees are satisfied that responsible investment is embedded appropriately in the investment managers' approaches to investing. A further update will be provided in next year's Statement.

4. Voting Activity

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

Over the Scheme year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

The Scheme only invests in pooled funds and therefore the Trustees have no direct voting rights in relation to the Scheme's investments.

Nevertheless, the section below sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. the funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate.

The Trustees take the view that a well governed board will drive long term sustainable growth, as well as good social and environmental outcomes and therefore determine significant votes to be those where the fund manager voted against the company in relation to the composition of the board. Of the significant voting information provided by the investment managers, the Trustees determined their significant votes to be those set out below.


In May 2023, the Scheme disinvested from the four funds (Nordea, Pictet, Columbia Threadneedle, and LGIM) that hold equity investments. Therefore it is expected that in next year's Statement there will be no voting activity to report on.

Nordea

Nordea makes its own voting decisions. However, they make use of Institutional Shareholder Services (ISS) for proxy voting, execution, and recommendations and also Nordic Investor Services (NIS) for recommendations only.

Nordea defines 'most significant votes' as those that are severely against their principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals against their policy.

- Number of votable meetings – 197
- Number of eligible resolutions Nordea have voted on – 2,363 (98.8% of total resolutions)
- Number of resolutions Nordea voted with management – 1,999 (84.6% of voted resolutions)
- Number of resolutions Nordea voted against management – 206 (8.7% of voted resolutions)

Holding details	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Company Name: Meta platforms Approximate size of holding as at the date of the vote: 0.89%	22 May 2022	Voter Against – Elect Director Mark Zuckerberg	Nordea voted against the election of Mark Zuckerberg since significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social and governance risks. Nordea also think that roles of CEO and Chair should be separated. Nordea supported several shareholder proposals at the AGM. Significance: This is a vote against the company on the composition of the board.	

Pictet


Pictet Asset Management uses the services of third party specialists (ISS) to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide.

ISS is tasked with collecting meeting notices for all holdings and researching the implications of every resolution according to voting guidelines as defined by Pictet Asset Management. ISS is used on a continuous basis and all recommendations are communicated to relevant Investment teams and Pictet's in-house ESG team.

Pictet considers a vote to be significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or they hold an important stake in the company.

- Number of votable meetings – 28
- Number of eligible resolutions Pictet have voted on – 381 (90.9% of total resolutions)

- Number of resolutions Pictet voted with management – 339 (89.0% of voted resolutions)
- Number of resolutions Pictet voted against management – 42 (11.0% of voted resolutions)

Holding details	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Company Name: Rio Tinto Plc Approximate size of holding as at the date of the vote: 0.37%	8 April 2022	Voter Against the Resolution/ Management – Approval of Climate Action Plan	<p>A vote against this item was warranted given the apparent gaps in the company's climate reporting and lack of science-based target setting. While Rio Tinto has provided admirable disclosure on its scope 1 and 2 targets, there is an absence of quantifiable Scope 3 targets at this time.</p> <p>Pictet did not communicate their intent to the company ahead of the vote.</p> <p>Pictet will continue to monitor on this topic and engage with the company. If warranted, they will consider actions as part of their escalation strategy, including future voting decisions.</p> <p>Significance: This is a climate-related vote.</p>	

Columbia Threadneedle


Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and their proxy voting practices are implemented through their Proxy Voting Policy.

For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis (i.e., mergers and acquisitions, share issuances, proxy contests, etc.), the analyst covering the company or the portfolio manager that owns the company will make the voting decision.

Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. They have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.

Columbia Threadneedle considers a significant vote to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where they support a shareholder-tabled proposal not endorsed by management.

- Number of votable meetings – 430
- Number of eligible resolutions Threadneedle have voted on – 5,692 (97.6% of total resolutions)
- Number of resolutions Threadneedle voted with management – 5,127 (90.1% of voted resolutions)
- Number of resolutions Threadneedle voted against management – 448 (7.9% of voted resolutions)

Holding details	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Company Name: Alphabet Inc.	1 Jun 2022	Voter For - Report on Climate Lobbying	The company and its shareholders are likely to benefit from a review of how the company's and its trade associations' lobbying positions align with Paris Agreement, in light of risks to the company caused by climate change and the company's public position.	


Holding details	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Approximate size of holding as at the date of the vote: 0.32%			Significance: This is a climate-related vote.	

Legal & General Investment Management

Legal & General Investment Management (LGIM) uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure its proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation. This includes, but is not limited to: high profile vote which has 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 LGIM's annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote; sanction vote as a result of a direct or collaborative engagement; or, vote linked to a LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

- Number of votable meetings – 3,145
- Number of eligible resolutions LGIM have voted on – 38,765 (99.9% of total resolutions)
- Number of resolutions LGIM voted with management – 30,551 (78.8% of voted resolutions)
- Number of resolutions LGIM voted against management – 7,943 (20.5% of voted resolutions)

Holding details	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Company Name: Amazon.com, Inc. Approximate size of holding as at the date of the vote: 1.83%	25 May 2022	Voter Against - Elect Director Daniel P. Huttenlocher	A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. Significance: This is a vote against the company on the composition of the board.	

The information above also applies to the World Equity Index Fund – GBP Currency Hedged.