Lubrizol Retirement and Death Benefits Plan ("The Plan")

Annual 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 December 2022.

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 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are as follows:

- To make sure that the Trustees can meet the obligations which have been promised to the beneficiaries of the Plan by the Employer.
- To ensure consistency with the Plan's funding arrangements.
- To pay due regard to the Employer's interests on the size and incidence of employers' contribution payments.

Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustees' policy on Environmental, Social and Governance ('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 SIP was last reviewed in September 2022 to reflect strategic changes that arose from the investment strategy review conducted during the year (with changes resulting in a disinvestment from the Emerging Markets Multi Asset strategy managed by Capital Group and an increase to the matching assets allocation). As at 31 December 2022, the policies on ESG, Stewardship and Climate Change included in the SIP were considered to be in line with the Trustees' views and Pension Scheme Regulations.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers, monitoring existing investment managers and retaining or withdrawing from investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered.

The following work was undertaken during the year to 31 December 2022 relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Engagement

UK Stewardship Code

- The Trustees requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Plan's investment managers confirmed that they are signatories of the current UK Stewardship Code.

Review of Investment Managers

- The Plan's investment performance reporting was reviewed by the Trustees on a six-monthly basis (at the end of June and December six-month periods) – reporting includes ratings (both general and specific to ESG) from the investment consultant. The Trustees also reviewed the Plan's holdings and manager ratings every other quarter (as at the end of the quarters ending March and September) with the 'red flags reports' produced by the investment consultant. Where managers may not be highly rated from an ESG perspective the Trustees continue to monitor and engage with those managers. The investment performance report includes how each investment manager is delivering against their specific mandates.

- The Trustees receive regular reports from the Plan's managers and Mercer, in its role as investment consultant, for the Plan. The Trustees also meet with the Plan's investment managers periodically. Combined with discussion in regular Trustee meetings this allows the Trustees to check that nothing has occurred that would bring into question the continuing suitability of the current investments.

- Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance, and in relation to passive management suitable levels of "tracking error" against a relevant benchmark.

- The Trustees seek expert advice in relation to these appointments. This advice may consider factors such as the manager's idea generation, portfolio construction, implementation, business management, timeliness and quality of reporting, as well as the investment manager's approach to ESG and engagement activity, as they apply to the specific investment strategy being considered.

ESG Review

- The Trustees review Mercer's ESG ratings which are provided in the six monthly reports.

- The Trustees will continue to monitor the managers' ESG policies going forward, and will also use Mercer's ESG ratings to assess the appointed managers' strategies for ESG integration. The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

- The Trustees only consider factors that are expected to have a financial impact on the Plan's investments. "Non-financial matters" (where "non-financial matters" includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments. The Trustees may review this policy in response to significant member demand.

Voting Activity

The Trustees consider a significant vote as any vote relating to material holdings (a company that represented at least 5% of the year-end market capitalisation of any fund in which the Plan was invested during the majority of the year), in each of the following thematic areas:

- Climate Change: including (but not necessarily limited to) low-carbon transition and physical damages resilience;

- Human Rights: including (but not necessarily limited to) modern slavery, pay & safety in the workforce and supply chains and abuses in conflict zones; and/or

- Diversity, Equity and Inclusion: including (but not necessarily limited to) equal pay, board equality, and inclusive & diverse decision-making.

Over the year, there were no votes that strictly fit the Trustees' definition of a significant vote, however, in the next section the Trustees highlight a few examples of votes deemed as significant by the investment managers, which align to the Trustees' priorities.

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

If the Trustees are specifically invited to vote on a matter relating to a policy or contract held with any of the Plan's investment managers, the Trustees will exercise their right in accordance with what they believe to be in the best interests of the majority of the Plan's membership.

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The reports will be reviewed by the Trustees to ensure that they align with the Trustees' policy.

The voting policies of the managers have been considered by the Trustees and the Trustees deem them to be consistent with their own investment beliefs. The Trustees do not use the direct services of a proxy voter. Over the last 12 months, some of the key voting activity on behalf of the Trustees was undertaken by LGIM, MFS Investment Management, Ruffer LLP and Capital Group. A summary of their activity is shown below.

LGIM – Equities:

LGIM relies on the service of a proxy advisor, Institutional Shareholder Services ("ISS"), but have developed and implemented their own custom policies. LGIM retains the oversight and the decisions made on the voting rights. LGIM's voting and engagement activities are led by internal ESG professionals and their assessment of the requirements in these areas in order to achieve the best outcome for clients. These policies are reviewed annually at stakeholder roundtables where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are able to directly express their views to members of LGIM's stewardship team.

Voting activity undertaken over the year to 31 December 2022 is summarised in the table below for the Plan's equity funds.

Fund	Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management
RAFI Fundamental Global Reduced Carbon Pathway - GBP Currency Hedged	3,348	39,246	100%	79%/20%

Source: LGIM. Figures subject to rounding.

Examples of LGIM's voting and engagement on behalf of the Trustees over the year to 31 December 2022 are shown below:

- **TotalEnergies SE:** In May 2022, LGIM voted against the resolution to approve the Company's Sustainability and Climate Transaction Plan. LGIM recognises the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, LGIM remains concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5ºC trajectory. LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

- **Philip Morris International Inc:** In May 2022, LGIM voted against the election of director Kalpana Morparia. LGIM prioritizes diversity and expects the company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM targeted the largest companies, believing that these should demonstrate leadership on this critical issue. LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf.

MFS Investment Management – Global Equity:

MFS use ISS to perform various proxy-voting related administrative services, such as vote processing and record keeping functions. MFS also receive research reports and vote recommendations from Glass Lewis and analyse all proxy voting issues within the context of the MFS Proxy Policies.

Voting activity undertaken over the year to 31 December 2022 is summarised in the table below.

Fund	Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management
Global Equity	86	1,398	100%	95%/5%

Source: MFS. Figures subject to rounding.

Examples of MFS's voting and engagement on behalf of the Trustees over the year to 31 December 2022 are shown below:

- **The Walt Disney Company:** In March 2022, MFS voted against management on their report on gender and racial pay gap as MFS believes that additional disclosures relating to the company's adjusted pay gap and more information on how the company is ensuring pay equity would allow shareholders the ability to compare and measure the progress of the company's ongoing diversity and inclusion initiatives. The level of support demonstrated clear shareholder desire for additional reporting from the company as it relates to its ongoing gender pay gap and diversity initiatives. MFS expects to see the company to enhance its future reporting in this regard, as a result of this majority-supported proposal.

– **The Charles Schwab Corporation:** In May 2022, MFS voted against management on the approval of the report on lobbying payments and policy due to insufficient disclosures regarding the company's political contributions and lobbying activity. Understanding the initiatives that the company supports through its lobbying activity and trade association memberships allows shareholders to better gauge how the company views and manages the potential risks associated with its direct and indirect lobbying activities and expenditures.

Capital Group – Emerging Markets Multi-Asset:

Capital Group uses ISS for electronic vote execution services. Each proxy ballot is reviewed by the Global Stewardship & Engagement ("GSE") team who facilitate the proxy voting process. Capital rely primarily on their own proprietary research in evaluating companies. However, to provide supplementary analysis of resolutions at shareholder meetings, Capital Group may review proxy research from third party vendors. Nonetheless, voting decisions are made according to Capital's internal voting policies and Capital Group Investment Analysts' recommendations, with the final decision being made by the Proxy Voting Committee of the relevant division who oversee the voting process.

Voting activity undertaken over the period from 31 December 2021 to 25 August 2022 (date of the Plan's full disinvestment) is summarised in the table below.

Fund	Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management
Capital Group Emerging Markets Total Opportunities	128	1,423	97%	91% / 6%

Source: Capital Group. Figures subject to rounding.

Examples of Capital's voting and engagement on behalf of the Trustees over the period to 25 August 2022 is shown below:

– **Varun Beverages Limited:** In April 2022, Capital Group voted against management on the approval of payment of profit related commission to non-executive directors due to insufficient disclosure on director remuneration.

– **NetEase, Inc:** In June 2022, Capital Group voted against management on the election of Michael Leung as director given the director's tenure was deemed too long, which could impair his independence.

Ruffer – Absolute Return:

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although they are cognisant of proxy advisers' voting recommendations, they do not delegate or outsource stewardship activities when deciding how to vote on shares.

Voting activity undertaken over the year to 31 December 2022 is summarised in the table below.

Mandate	Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management
Ruffer Absolute Return	47	789	97%	95% / 5%

Source: Ruffer. Figures subject to rounding.

Examples of Ruffer's voting and engagement on behalf of the Trustees over the year to 31 December 2022 are shown below:

- **Aena:** In March 2022, Ruffer voted against the re-election of Maurici Betriu as Director. ISS recommended Ruffer to vote against the CEO/Chairman's re-election as Aena has not split the CEO and Chairman roles and did not have a plan to do so. The company's bylaws currently dictate a single person should be both CEO & Chairman. To change this bylaw they would need an AGM vote and super-majority approval of the board. This didn't seem like a high bar to enact change and the company has had pressure from minority shareholders to split the roles. However, the majority shareholder (the Spanish State) has not shown interest in supporting the change. Ruffer spoke with Aena's management about their intentions to vote against the CEO and Chairman ahead of the meeting which they believe that has increased pressure on the Spanish State to look at separating the roles. Votes against the election of directors for material holdings are significant in Ruffer's view.

- **Exxon Mobil:** In May 2022, Ruffer voted against the shareholder resolution for approval of the Climate Changes Target. Exxon have already set targets that they believe are consistent with the Paris Agreement. These however do not include Scope 3 emissions as this would effectively force the company to sell key emitting assets to parties that will not be able to manage these down. Exxon are focused on progressing the transition by reaching Net Zero in scope 1 & 2 and also progressing carbon capture and storage, hydrogen and biofuels and we (and the company) would argue they are world leading in these initiatives. Ruffer will monitor how the company progresses and improves over time, and will continue to support credible energy transition strategies and initiatives, which are currently in place, and will vote against shareholder resolutions, which deem as unnecessary. Ruffer believes this vote is significant as they supported management in their effort to provide clean, reliable and affordable energy.