

Engagement Policy Implementation Statement for the Year Ended 05 April 2024

Tensar International Ltd Retirement Benefits Plan (“the Plan”)

1. INTRODUCTION

The Engagement Policy Implementation Statement (known as the Statement) presents the Trustee's assessment of its adherence to its engagement policy and its policy concerning the exercise of rights (including voting rights) attaching to the Plan's investments throughout the one-year period ending 05 April 2024 (the “Plan Year”). The Trustee's policies are outlined in their Statement of Investment Principles (SIP). A copy of the Trustee's SIP is available upon request.

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 Trustee has appointed Mercer Limited (Mercer) as the discretionary investment manager and the Plan's assets are invested in a diverse range of specialised pooled funds (known as the Mercer Funds). The management of each of the Mercer Fund's assets is carried out by a Mercer affiliate, Mercer Global Investments Europe Limited (MGIE). MGIE 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 Trustee acknowledges that it does not possess direct authority over the engagement or voting policies and arrangements of the Mercer Funds. These policies are set out in Mercer's publicly available [Sustainability Policy](#), which outlines how Mercer addresses sustainability risks and opportunities, incorporating Environmental, Social and Corporate Governance (ESG) factors into the decision making across process, on its clients behaves. In addition, Mercer's [Stewardship Policy](#) provides further details on Mercer's stewardship beliefs and their implementation in practice. However, the Trustee can influence Mercer's Sustainability and Stewardship Policies by taking part in Mercer's annual Client Engagement Survey, which aims to integrate Mercer Fund investors' perspectives on specific themes by evaluating the alignment between Mercer's engagement priority areas and those of the investors.

The Trustee expects Mercer's, and the specialist third party investment managers' who engaged to manage the assets of the Mercer Funds, engagement activities to reflect best practice. Where it is appropriate to do so given the nature of the assets that the Plan invests in, the Trustee regularly reviews reports from Mercer regarding the engagement and voting activities conducted within the Mercer Funds to assess whether the policies upon which these activities are based are in alignment with its own.

Section 2 of this Statement outlines the Trustee's engagement policy and evaluates the extent to which it has been followed during the Plan Year.

Section 3 sets out the Trustee's policy regarding the exercising of rights (including voting rights) attached to the Plan's investments. This Section also provides detailed information on any voting activities undertaken by third-party investment managers appointed within the Mercer Funds during the Plan Year.

Considering the analysis presented in Sections 2 to 3, to the extent it is possible to do so given the nature of the assets that the Plan invested in during the Plan Year, the Trustee believes that its policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Plan Year.

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

Policy Summary

Section of the Trustee's SIP outlines its ESG policies beliefs and the Trustee keeps these policies under regular review. Should the Trustee consider that the engagement policies of Mercer, MGIE or the specialist third party investment managers appointed by MGIE to manage the Mercer Funds assets do not align with those of the Trustee, the Trustee will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Policy has been implemented over the Plan Year

The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change.

Policy Updates	Climate Change Reporting and Carbon Foot-printing	ESG Rating Review
<p>The Trustee noted during the Plan Year that:</p> <p>In August 2023, the governance section of the Mercer <u>Stewardship Policy</u> was updated, and the climate scenario modelling section is now detailed in Mercer's standalone Task Force on Climate Related Financial Disclosures (TCFD) report. The TCFD was created to develop recommendations on the types of information that companies should disclose to support investors, lenders and insurers in appropriately assessing and pricing risks related to climate change.</p> <p>The most recent <u>UN Principles of Responsible Investment</u> results (based on 2022 activity)</p>	<p>The Trustee and Mercer believe climate change poses a systemic risk, with financial impacts driven by two key sources of change:</p> <ol style="list-style-type: none"> 1. The physical damages expected from an increase in average global temperatures 2. The associated transition to a low-carbon economy <p>Mercer therefore considers the potential financial impacts at a diversified portfolio level, in portfolio construction within asset classes, and in</p>	<p>Where available, Mercer's ESG research ratings of the third-party investment managers appointed to manage Mercer Fund assets are reported to the Trustee on a quarterly basis. ESG ratings, and any changes, are regularly reviewed by MGIE and the Trustee and MGIE expect to see positive momentum regarding ESG integration within the third-party investment managers' investment processes. As part of the review process, MGIE considers the appointed managers' ESG ratings against that of an appropriate universe of investment managers. Engagements are prioritised with managers where their ESG rating is behind that of the peer universe.</p>

awarded Mercer, who are a signatory to the Principles, awarded 4 stars out of 5 for Policy Governance and Strategy. The goal of the Principles is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.

investment manager selection and monitoring processes.

The Trustee notes Mercer aim to achieve net-zero absolute portfolio carbon emissions by 2050 for the Plan and its UK clients in general with fully discretionary model portfolios and, in doing so, for most of its Mercer Funds that the Plan invests in. To achieve this, Mercer set a 2030 target to reduce portfolio carbon emissions by 45% from 2019 baseline levels for its model portfolios. Whilst not relevant to the Plan given its current investment strategy, the Trustee notes that, as at 31 December 2022, there had been a 16% reduction in emissions since 2019, leaving the targeted 45% reduction by 2030 for the model portfolio within range.

Mercer's approach to managing climate change risks is set out in the [Mercer Investment Solutions Europe - Investment Approach to Climate Change 2022 Status Report](#).

As at 31 December 2022, the Trustee noted that over 20% of the Mercer Funds had seen an improved ESG rating over the year and that the majority had a rating ahead of the wider universe.

Approach to Exclusions

In a limited number of instances, the Trustee notes that the exclusion of certain investments with Mercer Funds may be necessary based on Mercer's Investment Exclusions Framework as set out in Mercer's Sustainability Policy. As a result, controversial weapons and civilian firearms are excluded from active equity and fixed income Mercer Funds, and passive equity Mercer Funds. In addition, tobacco companies (based on revenue) and nuclear weapons are excluded from active equity and fixed income Mercer Funds.

Mercer Funds are also monitored for investments where the issuers have identified as high-severity breaches of the UN Global Compact (UNGC) Principles. The UNGC aims for companies to align

Sustainability-themed investments

The Mercer Sustainability Report includes more detail on the Mercer Funds with a stated sustainability objective, including a detailed breakdown against ESG metrics, for example the UN Sustainability Development Goals (SDG).

The UN SDGs were adopted by all UN members in 2015. There are 17 goals created with the aim of achieving peace and prosperity for people and the planet while tackling climate change and working to preserve oceans and forests.

Diversity

The Trustee notes Mercer's aim to promote diversity within its own business and the managers is appoints to manage the assets of the Mercer Funds. Diversity forms part of Mercer's manager research process and is documented in a dedicated section within research reports.

Mercer considers broader forms of diversity in decision-making, but currently report on gender diversity. As at 1 April 2023, 35% of the Key Decision Makers (KDMs) within Mercer Investment Solutions team were non-male, and Mercer's long term target is 50%.

For fixed income and equity Mercer Funds, the average Fund has 15% and 17% non-male KDMs

their strategies and operations with ten universal principles related to human rights, labour, environment and anti-corruption and take actions that advance the implementation of societal and sustainable development goals.

respectively, broadly in line with the average fund in Mercer's research universe. Mercer expect this number to grow over time both across Mercer Funds and the investment management industry, supported in part through Mercer's engagements with managers on the topic and participation in industry initiatives.

MGIE is a signatory of the UK Chapter of the 30% Club and helped to establish the Irish Chapter over 2023. The 30% Club is a campaign group of business chairpersons and CEOs taking action to increase gender diversity on boards and senior management teams.

Engagement

Mercer's annual Stewardship Reports highlight the engagement objectives which have been set, examples of engagement and the escalation process and participation in collaborative initiatives. Mercer also produces an annual Global Manager Engagement Survey on sustainability and stewardship topics. The Survey seeks to gather information from each manager appointed in the Mercer Funds on their broad approach to stewardship as part of their investment integration, as well as gain insights and examples of voting and engagement activities. The results from the Survey provide an important source of information for tracking and measuring the managers' stewardship efforts to assess effectiveness and to identify potential areas for improvement. Results and insights from the Survey are shared in Mercer's Stewardship Reports.

3. TRUSTEE'S POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO PLAN INVESTMENTS

The Trustee's policy is as follows:

- **Delegation of Investment Management:** The Trustee delegates responsibility for the discretionary investment management of Plan assets to Mercer. The Plan'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:** For the Trustee to fulfil its obligations regarding voting and engagement, it receives reporting on the engagement and voting activities undertaken within the Mercer Funds. This reporting helps the Trustee 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 ultimately delegated to the third-party investment managers appointed by MGIE. The Trustee and MGIE accept 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 invested companies. However, the Trustee expects Mercer to play 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:** Mercer and MGIE carefully evaluates each sub-investment manager's capability in ESG engagement and proxy voting 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 Trustee do not use the direct services of a proxy voter.
- **Significant Votes:** The nature of the Plan's bond-based investment strategy in place through the year means that no voting rights were attached to its investments. As such, there are no voting activities or significant votes to report.