Millennium Inorganic Chemicals (UK) Pension Scheme

Implementation Statement

This statement sets out how the Trustees' policies on voting rights and engagement activities, as set out in the Statement of Investment Principles ("SIP"), have been followed over the year to 31 March 2024.

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such the Trustees delegate responsibility for carrying out voting and engagement activities to the Scheme's investment managers.
- The Trustees, with input from their investment consultant, annually receive and review (through their Implementation Statement), the voting information and engagement policies of their investment managers to ensure alignment with our own policies.
- Given the nature of the Scheme's current holdings, voting rights are not applicable and fund level engagement is only relevant to the TwentyFour Sustainable Short Term Bond Income Fund (see further details below). Based on the data available, the Trustees are comfortable that the actions of the investment managers are in alignment with the Scheme's stewardship policies.
- The Trustees meet annually with the Scheme's investment managers to discuss current topics relevant to the Scheme and to refresh their understanding of the approach and processes of the Scheme's investment managers. The Trustees also use these meetings as an opportunity to discuss the manager's approach to ESG considerations, their stewardship policies and how these align with the Scheme's own ESG policies.

  In May 2023, the Trustees met with TwentyFour and CVC and were comfortable with the investment managers' ESG approaches and that they were aligned with the Scheme's own policies. As part of this meeting, the Trustees discussed the sustainable version of the Absolute Return Credit Fund with TwentyFour (the TwentyFour Sustainable Short Term Bond Income Fund) and subsequently decided in June 2023 to switch into this Fund, which was implemented in July 2023. From a strategic perspective, the switch does not materially impact the overall strategy or expected risk/ return characteristics but offers additional ESG screens (positive and negative) and temperature/ net zero commitments, and therefore helps the Trustees implement a strategy that is better aligned to ESG and climate change objectives.

  The Trustees met with TwentyFour and CVC in June 2024 for an annual update of the funds. In particular:

  1. TwentyFour confirmed that the Sustainable Short Term Bond Income Fund was now classified as an 'Article 9' fund as described by the Sustainable Finance Disclosure Regulation (i.e. a fund that has a sustainable objective and holds 'sustainable' investments as defined by TwentyFour, that all comply with the 'Do No Significant Harm' criteria).
  2. TwentyFour also discussed their latest pillar in their 'Carbon Emission Engagement Policy', fossil fuel financing, and the key criteria they expect from companies. TwentyFour initial plan to engage with the biggest financiers of fossil fuels within their bank holdings and will proactively monitor and follow up with issuers to ensure they are addressing policy concerns and meeting carbon reduction targets.
  3. CVC provided an update on their approach to ESG, examples of deals declined in the US and Europe due to ESG concerns and their latest industry engagement.

Stewardship policy

The Trustees' SIP describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was reviewed in July 2023 following changes to the investment strategy and has been made available online here:

https://www.tronox.com/about-us/global-locations/#12159

There have been no changes to the Trustees' stewardship policy over the year to 31 March 2024. The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme's investment managers.

The Trustees decided not to set stewardship priorities for the Scheme because the Scheme solely invests through pooled investment vehicles where the Scheme's assets are invested in assets that do not have voting rights.

Prepared by the Trustees of the Millennium Inorganic Chemicals (UK) Pension Scheme
September 2024

Voting data

The Scheme currently invests in the TwentyFour Sustainable Short Term Bond Income Fund, the CVC Global Yield Fund and a Liability Driven Investment ("LDI") Portfolio and Sterling Liquidity Fund with Columbia Threadneedle. Voting is not applicable to any of the Scheme's assets as the funds invest only in fixed income assets, which have no voting rights. Therefore, no voting data is presented for the purpose of this Implementation Statement.

Fund level engagement

The Trustees considers it a part of their investment managers' role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Engagement activities are limited for the Scheme's LDI funds (consisting of the Columbia Threadneedle Leveraged Gilt Funds) due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

The two main components of LDI are gilts and derivatives. Given that the UK government has no human rights violations and has shown a willingness to engage on climate change issues, engagement is not a major concern when investing in gilts.

Derivatives are contracts which the scheme or LDI pooled fund will trade with banks and ESG factors can be applied to banks. However, choosing which bank to trade derivatives with is a distinctly different decision to deciding which bank to buy shares in, whereby ESG factors would be an important consideration. This is because the derivatives that the pension scheme or LDI fund holds are collateralised and/or centrally cleared which reduces the risk that if a bank defaults, there is an adverse effect on the scheme or LDI fund. Engagement therefore has a largely limited impact on the holdings.

CVC also do not undertake engagement on the underlying companies of the Global Yield Fund. The composition of the Fund is a pool of liquid loans and as a lender, CVC do not engage on the actions any of their companies choose to take. However, ESG and responsible investing considerations are integrated into the initial investment selection process and ESG screens are also used (both proprietary and third party ESG screening tools). Throughout the life of the investment, material ESG and responsible investing risks are monitored as part of the regular portfolio monitoring and reporting process. CVC's Compliance Team also provide an overview of any potentially adverse ESG-related news specific to a particular company and the possible impact on the value of the investment and are introducing an annual ESG scorecard review. CVC have provided examples of investments that have been declined due to ESG concerns, both in Europe and the US, which were discussed in the May 2024 meeting.

Fund level engagement data to 31 March 2024 for the TwentyFour Sustainable Short Term Bond Income Fund is summarised on the following page.

Manager	TwentyFour Asset Management
Fund name	Sustainable Short Term Bond Income Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	92
Number of engagements undertaken at a firm level in the year	300

Source: TwentyFour Asset Management

Examples of engagements undertaken with holdings in the fund

Edgewell Personal Care:

TwentyFour engaged with EPC, whose brands include Wilkinson Sword and Hawaiian Tropic sunscreen, for disclosure on the percentage of their total firm-wide revenue related to animal testing. TwentyFour note that Edgewell has a clear policy disclosure stating that it only carries out animal testing where required to do so by law (for example in countries like China). However, TwentyFour still wanted to know what percentage this was and what the company was doing to reduce that figure via collaborations, initiatives, and regulatory campaigns.

TwenyFour attempted several times to get a detailed response from management, however they were disappointed with their lack of engagement. They do not have any credit concerns for the company, nor do they believe that animal testing is a big part of the business, however TwentyFour expect timely and thorough responses from their investee companies.

Due to a lack of cooperation from the company, TwenyFour decided to exit the position across their funds within an appropriate time frame. TwentyFour also decided to adjust the company's governance score to reflect their new stance, noting that if they were to revisit the name in the future, they would need to see substantial improvements in its investor relations response.

National Express:

National Express is an issuer TwentyFour have been engaging with as part of their Carbon Emissions Engagement Policy since Q3 2021, where they have regular contact with firms that are held across their portfolios to discuss ESG and specifically greenhouse gas emissions. This engagement is aligned with the Sustainable Development Goal on Climate Action.

TwenyFour re-engaged as part of their yearly follow-up for an update on National Express' progress in decarbonising their bus fleet and for an update on their Science Based Targets initiative ("SBTi") progress given their decision to withdraw their application in 2021.

They have reversed their decision to pull out of the SBTi and they have now agreed and submitted SBTi targets. They have made further progress in shifting from fossil fuel powered vehicles, with diesel vehicles declining 8%, petrol by 10%, while hybrids increased by 17% and electric vehicles rose by 110%. Progress has been meaningful but given they have over 25,000 buses it will take time for their fleet to be fully low emission.

Overall TwentyFour feel they are making good progress, so they are happy to hold. Follow up in 12 months.

Principality Building Society:

Principality are a relatively socially focused institution and TwentyFour wanted to question them on whether they were passing through a sufficient amount of the increase in base rates to customers with savings accounts with them.

TwentyFour met with management to discuss their recent financial results and TwentyFour's concerns on whether they were doing enough to support saver customers. Management aim to be around the market average with regards to how much of the base rate increase they pass on. Given their small market share of the UK banking sector, they do not want to be a market leader for deposit rates as they wouldn't be able to lend against the deposits influx that they would see – this was the key issue with Silicon Valley Bank, the US regional bank which failed during Q1, so TwentyFour see this as generally a prudent decision from Principality. Given they are a Building Society, their social profile is very strong. They are a key lender to the first-time buyer community. They look to build and mould long term relationships with their customers which results in a low churn rate. TwentyFour do understand why they don't pass on more of the base rate increase but should continue to monitor to ensure they aren't lagging.

This was a satisfactory response; they continue to be a very socially conscious bank and so TwentyFour are happy to invest.