Annual Engagement Policy Implementation Statement

The A. Schulman Incorporated Limited (1978) Retirement Benefits Scheme

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 5 April 2024 (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 2018, and subsequent amendments, and the guidance published by the Pensions Regulator.

Changes to the investment arrangements during the Scheme Year:

The basis of the Trustees' strategy is to divide the Scheme's assets between Equities and Bonds, which comprise of assets such as UK gilts, UK index-linked gilts and UK corporate bonds. The Trustees regard the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile.

There were no changes to the investment arrangements during the Scheme year, and no changes were made to the SIP. This statement is therefore based on the SIP that was in place during the Scheme year, which was the SIP dated June 2022.

Investment Objectives of the Scheme:

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 Scheme included in the SIP in place during the Scheme Year are as follows:

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustees' overriding funding principles for the Scheme are as follows - to set the employer contribution at a level which is sufficient:

- *To build up assets to take account of future increases to current benefits (accrued and when in payment) in accordance with the Scheme Rules;*

- *To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and;*

- *To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.*

Policy on ESG, Stewardship and Climate Change

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially or following any material change in investment strategy or policy. The Scheme's SIP includes the Trustees' policy on Responsible Investment and Corporate Governance, which includes Environmental, Social and Governance ("ESG") factors as well as stewardship. 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. This policy was last reviewed during the Scheme Year (in March 2024).

The following work was undertaken during the year 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

The Scheme's investment performance reports were received by the Trustees on a quarterly basis during the Scheme Year and considered in more detail at the Trustees meetings on 28 September 2023 and 26 March 2024 – these included manager and strategy ratings (both general and ESG specific) derived by the Trustees' investment consultant. All of the pooled funds in which the Scheme invested over the Scheme Year remained highly rated during the year, where relevant. The Trustees acknowledge that the fixed income pooled funds did not have ESG ratings assigned by the investment consultant during part of the Scheme Year, but in May 2023 the investment consultant assigned ESG ratings to the fixed income strategies invested in by the Scheme.

The Trustees were comfortable with the ratings applied to the funds and continue to closely monitor these ratings, as well as any significant developments at the investment manager.

The Trustees also reserve the right to challenge the investment manager directly on ESG policies and practices, if deemed appropriate. The Trustees kept LGIM's capabilities under review during the year and remained comfortable that LGIM remains a market leader in ESG matters and uses its scale to engage productively to change corporate behaviours and drive change, where deemed necessary.

LGIM is a signatory to the UK Stewardship Code 2020, following the submission and approval of the required reporting to the Financial Reporting Council.

The Trustees' investment consultant requested, on behalf of the Trustees, details of relevant engagement activity for the Scheme Year from LGIM. LGIM engaged with companies on a wide range of different issues including ESG matters such as climate change, social and financial inclusion, and board structure. LGIM provided the following examples of engagement undertaken during the Scheme Year:

Environmental

LGIM have been engaging directly with APA, Australia's largest energy infrastructure business, since 2022 as part of their Climate Impact Pledge campaign. APA has been designated as one of LGIM's so called 'dial mover' companies. In their engagements with the company, LGIM identified areas where APA fell short of expectations, particularly in relation to climate-related lobbying activities.

LGIM expect companies to introduce credible transition plans aligned with the Paris goals of limiting global average temperature increase to 1.5°C. As a consequence of lacking

Scope 3 emissions targets, when APA Group brought its climate transition plan to a vote, LGIM withheld support.

Following the vote, LGIM engaged further with APA and met with the company in early 2023. In early 2024, LGIM learned that APA plans to include a Scope 3 emissions goal in its climate transition plan in 2025. APA's commitment to include such a target was influenced by feedback from the c.20% of investors, including LGIM, who voted against the proposed plan in 2022. LGIM will continue to engage with APA as it strives towards net-zero emissions.

Social

In late 2022, LGIM joined ShareAction's Healthy Markets Initiative to encourage companies, including Nestlé, to do more in several areas, such as greater transparency around nutrition strategy and committing to disclosures around the proportion of sales associated with healthy food and drinks products. LGIM met with Nestlé several times in 2022 and 2023 to discuss ongoing concerns, particularly regarding Nestlé's plans to both monitor and actively increase sales of healthier products.

In September 2023, Nestlé unveiled a nutrition target that LGIM believed was not sufficiently ambitious. LGIM's concerns arose from the target aligning with Nestlé's overall growth guidance, potentially resulting in no improvement linked to consumer health and diets. Additionally, some products classified as 'nutritious' by Nestlé fell outside government-endorsed nutrient profile models.

In early 2024, LGIM and ShareAction agreed to co-file a shareholder resolution at Nestlé's Annual General Meeting. The resolution called for key performance indicators tied to the healthfulness of food and beverage sales and a timebound target to increase the proportion of sales derived from healthier products. LGIM will closely monitor Nestlé's response and continue engagement on this issue.

Governance

Bayer, a prominent player in the pharmaceuticals and crop science industry, faces reputation risks from ongoing glyphosate litigation related to its Roundup herbicide. The litigation has resulted in total charges or payments exceeding $16bn since Bayer's acquisition of Monsanto in 2018. The unresolved litigation poses risks to Bayer's debt reduction and future growth. Bayer's CEO has initiated internal governance streamlining and expressed openness to potential business restructuring.

LGIM have met with Bayer on several occasions, seeking to ascertain how Bayer will fund and manage ongoing litigation risks whilst also investing for long-term growth. LGIM also used a recent bond deal marketing call as an opportunity to advocate for a clearer message from Bayer regarding its view of what its ‘core’ business is. LGIM remains engaged with Bayer.

Voting Activity

The Scheme is invested in multi-client pooled funds, therefore the Trustees do not have direct voting rights in relation to the Scheme’s investments. The Trustees have delegated their voting rights to the Scheme’s investment manager. Where applicable, the investment manager is expected to provide voting summary reporting on a regular basis, at least annually. The Trustees do not use the direct services of a proxy voter. The Trustees did not actively challenge LGIM on its voting activity during the Scheme Year.

The Trustees had equity exposure through the following LGIM funds during the relevant period:

- UK Equity Index Fund
- North American Equity Index Fund
- Europe (ex-UK) Equity Index Fund
- Japan Equity Index Fund
- Asia Pacific (ex-Japan) Developed Equity Index Fund

The table below highlights key metrics as to how LGIM has exercised the voting rights and/or engagement activity on behalf of the Trustees, covering the period from 1 April 2023 to 31 March 2024.

Fund	Votable meetings	Total votable proposals	No. of proposals voted on behalf of investors	Participation rate	% votes against management
UK Equity Index	709	10,462	10,441	99.8%	5.6%
North America Equity Index	645	8,731	8,709	99.8%	34.6%
Europe (ex-UK) Equity Index	542	9,556	9,530	99.7%	19.0%
Japan Equity Index	514	6,103	6,103	100.0%	12.0%
Asia Pacific (ex-Japan) Developed Equity Index	461	3,279	3,279	100.0%	25.1%

Significant votes

The Trustees deem 'most significant votes' as votes on climate change related resolutions, such as a vote requiring publication of a business strategy that is aligned with the Paris Agreement, and votes that have the potential to substantially impact financial outcomes.

The Trustees also consider the size of holding when determining most significant votes, given the passive management approach of the equity funds and the considerable number of underlying companies within each fund. Based on the respective proportions of the Scheme's overall equity portfolio, the Trustees focused on the largest three holdings for the North America Equity Index Fund and the top holding for each of the other funds (based on the approximate size of the fund's holding as at the date of the relevant vote).

The Trustees will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustees did not inform LGIM of what they considered to be a 'most significant vote' in advance of voting.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association ("PLSA") guidance. 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;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees have reviewed the voting information provided by LGIM and view the following votes as the most significant in accordance with the Trustees' most significant votes definition.

Company / Date of vote	Why it is significant / Size of holding	Summary of Resolution / Vote cast	Rationale for voting decision	Outcome
North America Equity Fund (Target Allocation: 12.5%)				
Microsoft Corporation 07/12/2023	Top 3 Holding / Financial Outcomes 6.9%	Elect Director Satya Nadella Against*	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	Passed – 94.4% voted for
Apple Inc. 28/02/2024	Top 3 Holding / Financial Outcomes 6.2%	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy Against*	LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. LGIM felt that a vote against this proposal is warranted as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies and including viewpoint and ideology in Equal Employment Opportunities ("EEO") policies does not appear to be a standard industry practice.	Failed – no further voting information
Amazon.com, Inc. 24/05/2023	Top 3 Holding / Financial Outcomes 2.5%	Report on Median and Adjusted Gender/Racial Pay Gaps For	LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.	Failed – 29% voted for
Europe (ex UK) Equity Index Fund (Target Allocation: 5%)				
Novartis AG 05/03/2024	Top Holding / Financial Outcomes 2.2%	Re-elect Joerg Reinhardt as Director and Board Chair For	LGIM felt that a vote for was appropriate following engagement with the company.	Passed
UK Equity Index Fund (Target Allocation: 2.5%)				
Shell Plc 23/05/2023	Top Holding / Climate Change 7.0%	Approve the Shell Energy Transition Progress Update Against*	A vote against is applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	Passed – 80% voted for

Asia Pacific (ex Japan) Developed Equity Index (Target Allocation: 2.5%)				
National Australia Bank Limited 15/12/2023	Top Holding / Climate Change 2.1%	Approve Transition Plan Assessments For	A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM acknowledges the Company's disclosures on sector policies and emissions reduction targets in this regard, LGIM believes that additional reporting on how this is assessed in practice and any timelines associated with this in light of the Company's existing commitments is considered beneficial to shareholders.	Withdrawn
Japan Equity Index Fund (Target Allocation: 2.5%)				
Toyota Motor Corp. 14/06/2023	Top Holding / Climate Change 4.2%	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement For	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. LGIM believe that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believes that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.	Failed – 15.1% voted for

** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.*

In terms of next steps following the outcomes of the above votes, LGIM will continue to engage with the investee companies, publicly advocate its position on the issues raised and monitor company and market-level progress.

Investment Manager Performance and Fees

The investment performance reports were received by the Trustees on a quarterly basis during the year under review and considered in more detail at the Trustees' meetings on 28 September 2023 and 26 March 2024. Over the 3-year period to 31 March 2024, the Scheme's investments returned -5.7% p.a. (net of fees).

Since the appointment of LGIM, the Trustees have reviewed the performance of both the overall investment strategy and each of the underlying funds against suitable benchmarks. The Trustees did not draw any concerns around the performance of the investment manager during the Scheme Year.

The Trustees periodically review investment manager fee levels to ensure the Scheme achieves value for money. Over the Scheme Year, there were no changes to the remuneration arrangements with LGIM. The Trustees reserve the right to challenge the investment manager on its fee arrangements, should this be deemed appropriate.