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 2023.

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 Absolute Return Credit 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. 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.

Stewardship policy

The Trustees' SIP describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was reviewed after the Scheme year end 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 2023. 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
October 2023

Voting data

The Scheme currently invests in the TwentyFour Absolute Return Credit 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.

Fund level engagement data for the TwentyFour Absolute Return Credit Fund is summarised on the following page.

Manager	TwentyFour Asset Management
Fund name	Absolute Return Credit 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	76
Number of engagements undertaken at a firm level in the year	379
Examples of engagements undertaken with holdings in the fund	**Paragon:** In Q2 2022, TwentyFour engaged with Paragon, who are currently in discussion with the UK government on how to meet the challenging EPC target. The lender is unable to force landlords to upgrade their properties, but they are actively communicating with their buy-to-let customers on this issue and encouraging action. With the launch of its green mortgage product, which offers reduced rates to new applicants with a property rated C or above, Paragon is aiming to lower the concentration of poorly rated properties in its mortgage portfolio. Paragon learned that some £142m of the £150m green bond proceeds have already been invested in eligible green loans – these are mainly in B rated EPC properties, with A rated EPCs still very rare in the UK. TwentyFour believe that Paragon's progress on innovation is not fairly captured in their current ESG score for the bank and they will look to update this, reflecting its green mortgage offering and the extension of its motor finance policy to cover lending on battery electric vehicles. TwentyFour will continue to monitor Paragon's progress on EPC ratings across its portfolio and the uptake on its green mortgage product. The engagement gave TwentyFour additional comfort in the progress being made and therefore remain invested. **Southern Company:** In Q4 2022, TwentyFour engaged with Southern Company's investor relations team to understand its emissions reduction and net zero plans, and its timelines for exiting coal and full Scope 3 emissions disclosure. TwentyFour believe that this was very constructive and honest call with management. Regulation differs between the US and Europe, so while the plan is to exit coal as soon as possible, local commissions have the final say and they have pushed back and actually extended the decommissioning timeline due to the ongoing energy crisis – this is outside the issuer's control. In addition, management highlighted that due to the greater consumption of coal due to the energy crisis, carbon intensity is unlikely to change much over the next 18 months. TwentyFour will continue to monitor progress and as many factors are unfortunately out of management's control, are satisfied with Southern Company's response, noting there is a lot of work ahead to catch up with European peers. Southern Company plans to make a more formal net zero commitment in the near future and disclose Scope 3 emissions in 2023. **Yorkshire Building Society ("YBS"):** TwentyFour engaged with YBS to discuss the reporting of Scope 3 emissions to encourage them to adopt a plan to report this data going forwards. TwentyFour have stated that this will be an ongoing monitoring situation rather than a completed outcome. There is plenty of scope for improvement, especially regarding net zero and green products. They will continue to monitor progress of YBS and follow up in six months as they believe that the provision of Scope 3 data will be very useful and the increased provision of green products from a large UK mortgage provider would be beneficial.

Source: TwentyFour Asset Management