

Essar Oil (UK) Pension Scheme - Implementation Statement

Statement of Compliance with the Essar Oil (UK) Pension Scheme (the “Scheme”) Stewardship Policy for the year ending 31 July 2024.

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the Pensions Regulator’s General Code of Practice. It sets out how the Trustee has complied with the Scheme’s Stewardship Policy and Statement of Investment Principles ([essar-sip-may-2024.pdf](#)) during the period from 31 July 2023 to 31 July 2024.

Overall, the Trustee is satisfied that:

- The Scheme investments have been managed in accordance with the Scheme’s stewardship Policy during the period;
- The Scheme’s investments have been managed in accordance with the remainder of the Scheme’s Statement of Investment Principles; and
- The provisions of the Statement of Investment Principles remain suitable for the Scheme’s members.

Statement of Investment Principles

The Trustee reviewed and updated the Statement of Investment Principles during the period and is scheduled for review no later than May 2025.

The Trustee has prepared this Implementation Statement on the basis of the Statement of Investment Principles in force at May 2024, with reporting within this document in line with the Statement of Investment Principles applicable at the relevant time.

Scheme year investments

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 benefit basis.

The Trustee has overall responsibility for how the Scheme’s investments are governed and managed, in accordance with the Scheme’s Trust Deed and Rules, as well as Trust Law, Pensions Law and Pensions Regulations.

The Trustee monitors how well the investment adviser meets the objectives agreed with them, which are designed to align with the Trustee’s own objectives and investment strategy set out in the Statement of Investment Principles. The Trustee has set objectives for the adviser and has carried out an evidence-based review of the investment adviser’s performance against these objectives in December 2024. This involved rating the adviser against the different objectives. The Trustee was satisfied that the objectives has been achieved for the year.

The investment risks relating to the Scheme are described in the Statement of Investment Principles on page 3, and the expected return is described in the SIP on page 5.

The Trustee’s views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme.

The Trustee expects fund managers to invest the Scheme's assets in the members' best interests. With the aim of ensuring long-term, sustainable returns to provide benefits to the Scheme's members, the fund managers are expected to exercise voting power (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee meets from time-to-time with the fund managers to monitor their performance and conflicts of interest, whilst asking them to evidence the implementation of environmental, social and governance risk factors into their investment decision-making, including voting rights.

The Scheme's asset managers have conflicts of interest policies in place. The Trustee formally asks managers to confirm any conflicts of interest when managers meet with the Trustee. Managers have disclosed any potential or actual conflict over the period.

Stewardship policy

The Trustee Stewardship Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee approach to:

- The exercise of voting rights attached to assets; and
- Undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship Policy is outlined in the Scheme's Statement of Investment Principles (SIP). As such, the Scheme's Stewardship Policy will be updated at the time of the Scheme's SIP review. This review will normally take place at least every three years in conjunction with the triennial Scheme's actuarial valuation but will also be reviewed annually. The last SIP review was completed in May 2024.

The Scheme's Stewardship Policy can be found within the Scheme's Statement of Investment Principles at: [Statement of Investment Principles May 2024 | Essar](#)

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest in, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity of the Trustee is focused on their dialogue with their investment managers which is undertaken in conjunction with the investment advisers. The Trustee meets with its managers from time-to-time to discuss investment matters and considers the managers exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors its compliance with its Stewardship Policy on a regular basis through and is satisfied that it has complied with the Scheme's Stewardship Policy over the last scheme year.

Voting activity

The Trustee seeks to ensure that managers are exercising voting rights and, where appropriate, monitors managers' voting patterns. The Trustee also monitors votes cast by managers on particular companies or issues that affect more than one company.

The Trustee has investments across multiple asset classes, such as equity, diversified growth funds, money market funds, bonds, direct lending, multi-asset credit, property and liability driven investments. Where the Trustee held equity exposure, the investment manager has reported on how votes were cast in each of these mandates as set out in the tables below. The LGIM World Developed Equity Index Fund was disinvested during the Scheme year.

Strategy/Fund name*	LGIM World Developed Equity Index Fund
No. of meetings eligible to vote at during the year	2,290
No. of resolutions eligible to vote on during the year	29,411
% of resolutions voted	99.7%
% of resolutions voted with management	78.7%
% of resolutions voted against management	21.0%
% of resolutions abstained	0.3%
% of meetings with at least one vote against management	78.0%

*Information to 30 June 2024. As at 31 July 2024, the Scheme did not have any assets invested in the LGIM World Developed Equity Fund.

LGIM voted against management for a variety of reasons, including corporate structure, diversity, climate issues and shareholder proposals.

Bonds, properties, and credit holdings do not generally confer to voting rights unlike equity holdings.

Significant votes

The Trustee has asked their managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the managers reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

LGIM

Date	Company	Subject (theme and summary)	Manager's vote and rationale
28 February 2024	Apple Inc.	Report on risks of omitting viewpoint and ideological diversity from EEO policy	LGIM voted against this resolution as the company appears to be providing shareholders with insufficient disclosure around its diversity and inclusion efforts. Including viewpoint and ideology in EEO policies does not appear to be a standard in industry practice.
4 May 2024	Berkshire Hathaway Inc.	Elect Director Warren E. Buffett	LGIM voted against this resolution as they expect companies to separate the roles of Chair and CEO due to risk management and oversight concerns.

Engagement activity

The Trustee hold meetings with their investment managers from time-to-time where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has not met with any of its five managers.

The Trustee receives annual reporting on manager's engagement activity. The following table summarises the key engagement activity for the 12-month period ending 31 July 2024.

Manager	Company	Subject (theme and summary)	Outcome
Schroders Investment Management	SSE PLC	Meeting with the Chairman ahead of the Annual General Meeting (AGM) to discuss climate plans and business strategy.	Schroders engaged with SSE on climate alignment relating to decarbonising and minimising emissions. Since then, the company has included levers for the delivery of their remaining emission reductions in their Net Zero report update.
Partners Group*	Galls	As part of an exit announcement, Partners engaged with the company about the realisation of first lien debt financing.	The full realisation generated an Internal Rate of Return (glRR) of 10.0% and a Total Value to Paid-in Capital (TVPI) multiple of 1.56x.
Partners Group*	Access Group	As party of their ESG strategy, Partners engaged with the company on a reported case of fraud linked to the actions of an employee.	The individual is no longer working at Access and legal proceedings have been launched against the individual. An external advisor has been engaged to review this case with no broader issues being discovered. Additional governance procedures have been put in place.
LGIM*	Dow Inc	LGIM engaged with the company on the transition away from single-use plastics and address chemicals of concern.	LGIM signed a letter to the CEO of the company alongside several investors, supporting ongoing engagement led risks of production overcapacity for polymers used for single use plastic, the need to plan for reductions in demand for these materials, and responsibly switching operations from fossil-fuel based virgin polymer to recycled polymer production.
ICG	Sofima Holding (IMA)	Diversity: company reported a significantly higher proportion of male employees than female across the business.	Following engagement, the business has training schemes in place where woman receive a higher average number of training hours. The company has joined a network which works closely with local public institutions to pursue equal opportunities and offers internships and school-work rotations to engage with younger people and interest them in their sector.
Federated Hermes	N/A	Manager engaged with specialist decarbonisation engineers to carry out reviews of all the assets within the fund.	Hermes are focussing on the decarbonisation of space and water heating and the decrease of energy need through fabric and plant improvement. These plans are being further developed to fit alongside lease structure and current planned maintenance strategy to generate a realistic timescale an understanding of the marginal cost for net zero.

* Information to 30 June 2024

Summary of manager engagement activity

The following table summarises the key engagement activity for the 12-month period ending 31 July 2024

Manager	Number of engagements	Topic engaged on
Schroders Structured Equity	580	Environmental (258), Social (105), Governance (176), Other (41)
Partners Group	20	Environmental (1), Social (0), Governance (2), Other (17)
LGIM*	1,604	Environmental (1,040), Social (126), Governance (329), Other (109)
ICG Global Total Credit**	42	Environment (18), Social (5), Governance (19)
Federated Hermes Property Unit Trust	n/a	Federated Hermes pursues an active engagement strategy and 100% of its assets have engagement on various environmental, social and governance topics including net zero, biodiversity and social value.

*Information to 30 June 2024

**Information to 31 December 2023

Use of a proxy adviser

The Scheme's investment managers have made use of the services of the following proxy voting advisors over the Scheme year as detailed below:

Manager	Proxy Advisor used
Schroders	Glass Lewis
LGIM	Institutional Shareholder Services (ISS)

Review of policies

The Trustee has committed to reviewing the managers' Responsible Investment (RI) policies on an annual basis. This review was last undertaken by the Trustee in March 2024. This review considered managers' broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The Trustee also considered changes to their managers voting policies.

The Trustee and their investment advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.

Prepared by:

Trustee of the Essar Oil (UK) Pension Scheme

December 2024