

Spirax-Sarco Executives Retirement Benefits Scheme Implementation Statement – 31 December 2023

Why have we produced this Statement?

The Trustees of the Spirax-Sarco Executives Retirement Benefits Scheme have prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustees have complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustees' investment objectives and investment strategy.

It also explains how and why the Trustees delegate certain responsibilities to third parties and the risks the Scheme faces and the mitigated responses.

The Trustees last reviewed the SIP in September 2023.

What is the purpose of this Statement?

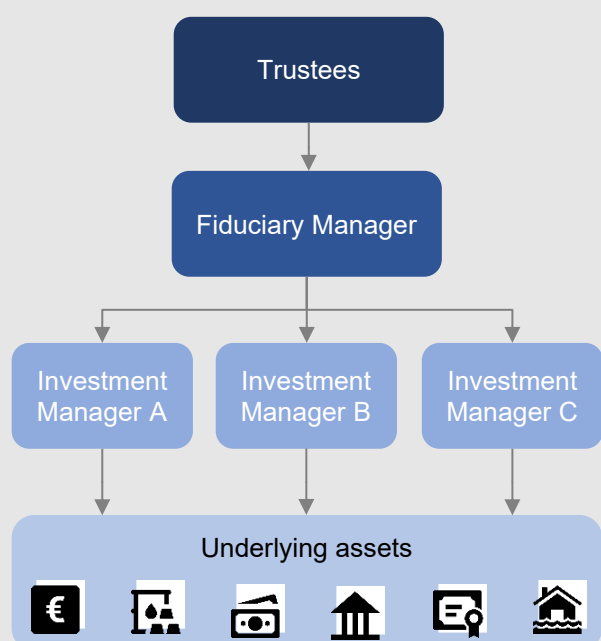
1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe how the voting rights attached to the Scheme's assets have been exercised over the year.

What changes have we made to the SIP?

The Trustees have made the following changes to the SIP over the year:

- Stated climate and good governance as areas of focus for stewardship
- Explained that the exercise of rights (including voting) on the Scheme's investments is delegated to the Fiduciary Manager.
- Clarified the timescales considered when appointing underlying managers

How are the Scheme's investments managed?



Trustees - The Trustees' key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustees retain overall responsibility for the Scheme's investment strategy but delegate some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge, and resources.

Fiduciary Manager (WTW) – The Trustees employ a Fiduciary Manager to implement the Trustees' investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset class and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Scheme's name. The Fiduciary Manager will look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

Why do the Trustees believe voting and engagement is important?

The Trustees' view is that Environmental, Social and Governance (ESG) factors can have an impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustees further believe that voting and engagement are important tools to influence these issues.

The Trustees have appointed a Fiduciary Manager who shares this view and has embedded the consideration of ESG factors, voting and engagement in its processes.

The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

What is the Trustees' voting and engagement policy?

When considering the policy in relation to stewardship, including engagement and voting, the Trustees expect investment managers to address broad ESG considerations but have identified climate change and governance as key areas of focus for the Trustees.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustees expect the Fiduciary Manager to engage with investment managers to improve their processes.

What training have the Trustees received over the year?

To ensure the Trustees are kept up to date with best practice in ESG considerations, voting and engagement the Trustees receive training each year. At the September meeting the Fiduciary Manager provided an update on the secure income assets, which included how ESG factors are integrated into the portfolio construction process.

What are the Fiduciary Manager's policies?

Climate change and net zero pledge

The Trustees believe Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Fiduciary Manager has committed to targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in the portfolios that it manages including the Scheme's.

Public policy and corporate engagement

The Fiduciary Manager partners with EOS at Federated Hermes, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustees).

Some highlights from 2023 include:

- Engagements with 1,041 companies on a total of 4,272 issues and objectives.
- 31 responses to consultations or proactive equivalents and 90 discussions with relevant regulators and stakeholders.
- Voting recommendations on 128,101 resolutions, with 22,716 against management.
- Active participation in a range of global stewardship initiatives.

Industry collaboration initiatives

The Fiduciary Manager engages in several industry initiatives including:

- Signatory of the UK Stewardship Code
- Co-founder of the Net Zero Investment Consultants Initiative
- Member of Net Zero Asset Managers Initiative
- Signatory of the Principles for Responsible Investment (PRI)
- Member of the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founder of the Investment Consultants Sustainability Working Group
- Founding member of The Diversity Project
- Supporter of the Transition Pathway Initiative

How does the Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2023 the Fiduciary manager conducted engagements with over 150 managers on sustainability and stewardship. In 2022 it also introduced engagement priorities on climate, modern slavery and engagement reporting for all its asset managers.

Investment manager monitoring - The Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis. We have provided the Fiduciary Manager's ratings of the equity managers' ESG integration and stewardship capabilities in the later pages.

Investment manager termination - The Fiduciary Manager engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

What are the voting statistics we provide?

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity investment managers.

Responses received are provided in the following pages. The Trustees used the following criteria to determine the most significant votes:

- Trustees' stewardship priorities (climate change and governance).
- Financial outcome for members, including size of holding.
- High profile vote.

The Scheme is invested in both active (trying to outperform the market) and passive (aiming to perform in line with the market) equity funds. The Trustees have decided not to publicly disclose active investment manager names as the Trustees believe this could impact the investment manager's ability to generate the best investment outcome.

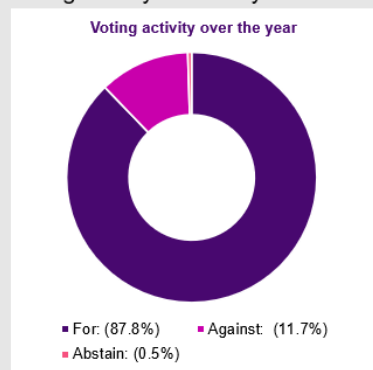
The Trustees have also included the Fiduciary Manager's assessment of the investment managers' ESG integration and stewardship (including voting and engagement) capabilities.

In conclusion...

The Trustees are satisfied that over the year, all SIP policies and principles were adhered to including those relating to voting and engagement.

Towers Watson Investment Management Global Equity Focus Fund – an active global equity fund

Voting activity over the year



Significant vote

Company: Alphabet
% Fund: 5.7%
Vote topic: Human rights
Issue: The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns
Voting instruction: For the resolution
Outcome: Resolution failed
Why a significant vote? The manager believes transparency on country risk is a non-controversial proposal and serves both social and governance interests
Next steps: The manager will vote for similar measures in the future

Significant vote

Company: Microsoft Corp
% Fund: 4.9%
Vote topic: Report on climate risk in retirement plan options
Issue: Manager voted for this shareholder proposal as they believe that it promotes transparency and addresses a potential ESG risk
Voting instruction: For the resolution
Outcome: Resolution failed
Why a significant vote? Greater transparency allows shareholders to better assess the underlying risks and opportunities
Next steps: Manager to continue to promote greater transparency across all holdings if it does not put the company in a competitive disadvantage

Voting policy: As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. We expect all of our underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. We have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of our clients. In addition, EOS is expanding the remit of engagement activity they perform on our behalf beyond public equity markets, which will enhance stewardship practices over time.

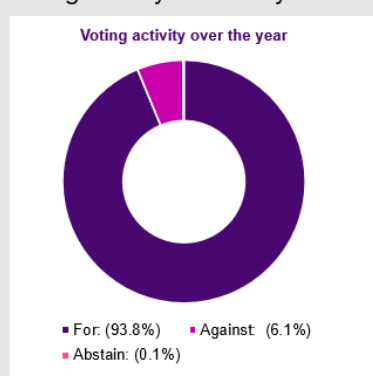
**Figures may not sum due to rounding*

State Street Global Advisors - Heitman Global Prime Property Securities Index - semi-passive global equity fund focused on equity related to prime properties



**Fiduciary Manager's
assessment**

Voting activity over the year



Significant vote

Company: Goodman Group
% Fund: 1.6%
Vote topic: Approve Remuneration Report
Issue: Manager had some concerns about the company's total overall pay for senior executives but did not want to vote against as the company made very favourable changes to the compensation structure that better align executives with the objectives and interests of long-term investors.
Voting instruction: Abstain
Outcome: Resolution Passed
Why a significant vote? In compliance with the UK Shareholder Rights Directive (SRD II), compensation proposals where the manager voted against the management's recommendation is considered as a significant vote
Next steps: Manager will contact the company to explain their voting rationale and conduct further engagement

Significant vote

Company: Activia Properties, Inc.
% Fund: 1.2%
Vote topic: Elect Executive Director Kashiwagi, Nobuhide
Issue: Lack of gender diversity on the board
Voting instruction: Against the resolution
Outcome: Resolution passed
Why a significant vote? In compliance with the UK Shareholder Rights Directive (SRD II), compensation proposals where the manager voted against the management's recommendation is considered as a significant vote
Next steps: Manager will contact the company to explain their voting rationale and conduct further engagement

Voting policy: Manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.

The manager has its own conflict of interest policy and can confirm that the manager is not affected by any of the five potential conflicts. The conflict register has been reviewed and staff are required to confirm if they have any potential conflict of interests.

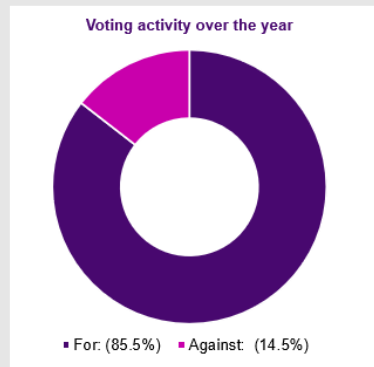
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State Street Global Advisors - Infrastructure Equity MFG Index – semi-passive global equity fund focused on equity related to infrastructure companies



**Fiduciary Manager's
assessment**

Voting activity over the year



Significant vote
Company: SNAM SpA
% Fund: 2.6%
Vote topic: Accept Financial Statements and Statutory Reports
Issue: Inadequate management of climate-related risks
Voting instruction: Against the resolution
Outcome: Resolution passed
Why a significant vote? Manager has deemed significant votes as those that have quantitative substance and qualitative materiality
Next steps: Limited information provided

Significant vote
Company: SNAM SpA
% Fund: 2.6%
Vote topic: Approve Restricted Stock Plan
Issue: Pay is misaligned with Equity Ownership Services (EOS) remuneration principles
Voting instruction: Against the resolution
Outcome: Resolution passed
Why a significant vote? Manager has deemed significant votes as those that have quantitative substance and qualitative materiality
Next steps: Limited information provided

Voting policy: Manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.

The manager has its own conflict of interest policy and can confirm that the manager is not affected by any of the five potential conflicts. The conflict register has been reviewed and staff are required to confirm if they have any potential conflict of interests.

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