

# Engagement Policy Implementation Statement (“EPIS”)

## Terex Pension Scheme (the “Scheme”)

Scheme Year End – 05 April 2024

The purpose of the EPIS is for us, the Trustees of the Terex Pension Scheme, to explain what we have done during the year ending 05 April 2024 to achieve certain policies and objectives set out in the Scheme’s Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

### Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

In our view, the Scheme’s material investment manager, Legal & General (‘LGIM’), in relation to the Scheme’s equity portfolio, were able to disclose good evidence of voting and engagement activity and we consider that the activities completed by this manager are aligned with our stewardship expectations.

As outlined later in this report, LGIM did not provide engagement information in line with the best practice Investment Consultants Sustainability Working Group (“ICSWG”) industry standard engagement reporting template.

This report does not include commentary on the Scheme’s liability driven investments or cash because of the limited materiality of stewardship to these asset classes. The report does also not include any reference to the Scheme’s UK property allocation as it is less than 5% of Scheme assets.

## How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the policies set out in our SIP. We have reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, the investment managers were able to disclose good evidence of voting and engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly ESG ratings from Aon for the funds the Scheme is invested in where available.

Each year, with support from our investment adviser, we review the voting and engagement policies of the Scheme's material investment manager to ensure they align with our own policies for the Scheme and help us to achieve them.

The Scheme's stewardship policy can be found in the SIP:

<https://pensioninformation.aon.com/terex>

## Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. Whilst Legal and General Investment Management Limited ("LGIM") did provide a comprehensive list of fund-level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the funds in which we are invested, in accordance with the ICSWG industry standard engagement reporting template. We, along with our investment adviser, will continue to work with LGIM to understand better its voting and engagement practices and discuss the areas which are behind those of its peers.

### What is stewardship?

Stewardship is the process by which investors use their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

## Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities which relate to ownership of a company's stock or shares. We believe that good stewardship is in the members' best interests, because it promotes best practice and encourages investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practise in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to exercise responsibly the voting rights which attach to investments held for the Scheme.

### Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 March 2024.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM – Developed Balanced Factor Equity Index Fund (GBP Hedged and Unhedged)	12,190	99.8%	21.1%	0.2%
LGIM – World Emerging Markets Equity Index Fund	33,716	99.9%	19.0%	0.9%

Source: Manager. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's manager uses its proxy voting adviser.

Manager	Description of use of proxy voting adviser (in the managers' own words)
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to vote clients' shares electronically. All voting decisions are made by LGIM, and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Manager.

### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

### Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers which invest in thousands of companies to participate in and exercise many more votes than they would be able to without their support.

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment manager to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

## Our managers' engagement activity

Engagement occurs when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund/ firm level
	Fund level	Firm level	
LGIM – Developed Balanced Factor Equity Index Fund (GBP Hedged and Unhedged)	296	2,500	Environment - Climate Impact Pledge; Climate Change Governance - Remuneration; Board Composition Social - Gender Diversity
LGIM – World Emerging Markets Equity Index Fund	235	2,500	Other - Corporate Strategy Environment - Climate Impact Pledge; Deforestation; Climate Change Governance - LGIM ESG Score

Source: Managers.

## Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM did provide fund-level engagement information but not in the industry standard ICSWG template.

This report does not include commentary on certain asset classes such as liability driven investments or cash because of the limited materiality of stewardship to these asset classes, or the UK Property Fund due to its low residual holding (i.e. less than 5%). Further, this report does not include additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

## Appendix – Significant Voting Examples

In the table below are some significant voting examples provided by the Scheme's manager. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

<b>LGIM – Developed Balanced Factor Equity Index Fund (GBP Hedged and Unhedged)</b>	<b>Company name</b>	The Toronto-Dominion Bank
	<b>Date of vote</b>	20 April 2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.1
	<b>Summary of the resolution</b>	Resolution 9 - Disclose Transition Plan Towards 2030 Emission Reduction Goals
	<b>How you voted?</b>	Votes supporting resolution
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
	<b>Rationale for the voting decision</b>	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
	<b>Outcome of the vote</b>	Fail
	<b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	LGIM will continue to engage with the company and monitor progress.
	<b>On which criteria have you assessed this vote to be most significant?</b>	Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.
<b>LGIM – World Emerging Markets Equity Index Fund</b>	<b>Company name</b>	Cosco Shipping Holdings Co., Ltd.
	<b>Date of vote</b>	25-May-2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.1
	<b>Summary of the resolution</b>	Approve Report of the Board
	<b>How you voted?</b>	Votes against resolution
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

<b>Rationale for the voting decision</b>	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
<b>Outcome of the vote</b>	Pass
<b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	LGIM will continue to engage with the company and monitor progress.
<b>On which criteria have you assessed this vote to be most significant?</b>	Thematic - Climate: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors.

Source: Manager.