

Mettler-Toledo Pension Scheme

Trustee's Report and Financial Statements

For the Year Ended 31 December 2022

14. Appendix - Implementation Statement

Mettler-Toledo Pension Scheme

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles (SIP) dated September 2020 have been implemented, during the period under consideration.

It also includes the Trustee's voting and engagement policies, as well as details of the review of the SIP during the year, subsequent changes made with the reasons for the changes. A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, is also included within this Statement.

The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustee's Chair's Statement for the year ending 31 December 2022.

This Statement covers the period 1 January 2022 to 31 December 2022.

Investment objectives of the Scheme

The investment objectives of the Scheme are set out on page 2 of the SIP and are summarised below.

- The Trustee's primary objective is to act in the best interests of members
- The Trustee recognises that a portfolio of bonds is the strategy which will best protect against changes in the value of the liabilities. However, this is an ongoing pension scheme with the support of the Company, and the Trustee feels that some equity investment is appropriate in an attempt to improve the ongoing funding position to reduce the burden on Company contributions.
- The Trustee recognises that holding equity investment will bring increased volatility of Company contribution requirements in favour of higher expected return in the long term.

Stewardship policy

The Trustee's stewardship policy, as set out in the SIP is as follows.

The Trustee believes that good stewardship and environmental, social and corporate governance ("ESG") issues may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

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The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. The investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within their investment manager's processes and the investment managers are expected to provide reporting on a regular basis, at least annually, on ESG integration process, stewardship monitoring results, and climate-related metrics such as carbon footprinting for equities.

The Trustee has delegated their voting rights to the investment managers. The Trustee is looking to enhance its reporting on voting activity by reviewing an annual voting and engagement report which will be produced by the Trustee's investment consultant.

Review of the SIP

The Statement of Investment Principles in place during the period was last reviewed in September 2020, which was updated to take account of the updated investment regulations. At the date of this statement, the Trustee has prepared a new SIP, dated March 2023, to take account of the asset allocation changes made to the DB Section in late 2022.

The Trustee has a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the Trustee's SIP.

Investment managers and funds in use

In December 2022, the Trustee implemented a revised investment strategy, using the funds shown in the table below. The strategy aimed to reduce the level of risk inherent to the investment strategy. At the date of the statement, the Trustee is in the process of updating the SIP to reflect this change in asset allocation.

Asset Class	Manager	Fund
Corporate bonds	BlackRock	Buy & Maintain ESG Vintage 2020-2024 Fund
Corporate bonds	BlackRock	Buy & Maintain ESG Vintage 2025-2029 Fund
Corporate bonds	BlackRock	Buy & Maintain ESG Vintage 2030-2035 Fund
Corporate bonds	BlackRock	Buy & Maintain ESG Vintage 2035-2039 Fund
Government bonds	BlackRock	Aquila Life Over 15 Yr UK Gilt Index Fund
Government bonds	BlackRock	Aquila Life Over 25 Yr UK Index-Linked Gilt Index Fd

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The assets of the DC section are managed by Mercer, using funds available on the Aviva UK Life investment platform. The investment strategy is as per the choice of the member.

The Trustee has made available the Mercer SmartPath within the DC Section. This includes a growth stage, where up until eight years before retirement all member contributions will be invested into Mercer Growth/Balanced Risk Fund. In the years approaching retirement, the default investment solution invests the member holdings into a Drawdown Target Retirement Fund. For those members electing to target either an annuity or cash at retirement, they will be invested into the Annuity Target Retirement Fund or the Cash Target Retirement Fund respectively.

The Target Retirement Funds automatically switch member assets as they approach retirement into investments that are expected to be less volatile relative to how they wish to access their pension savings. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.

Investment Governance

The Trustee is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustee's investment consultant.

The Trustee does not actively obtain views of the membership of the Scheme to help form its policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustee expects to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustee has put in place strategic objectives for Broadstone, as the Trustee's investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in December 2019, and are due to be reviewed every three years i.e. by December 2022. These were being considered by the Trustee at that time and have since been updated and agreed.

In addition, the Trustee regularly reviews its advisers (including Broadstone as its investment consultant) on an annual basis. The last review was undertaken in February 2022.

The investment arrangements of the Scheme are reviewed by the Trustee on a quarterly basis, with the assistance of Broadstone.

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Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially Material Considerations	The Trustee believes that good stewardship and environmental, social and corporate governance ("ESG") issues may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.	No deviation from this policy over the year to 31 December 2022.
Non-Financially Material Considerations	Member views (including their ethical views) and Non-Financially Material Considerations are not taken into account in the selection, retention and realisation of investments.	No deviation from this policy over the year to 31 December 2022.
Voting Rights and Engagement	<p>The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. The investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.</p> <p>The Trustee considers how ESG, climate change and stewardship is integrated with their investment manager's processes and the investment managers are expected to provide reporting on a regular basis, at least annually, on ESG integration process, stewardship monitoring results, and climate-related metrics such as carbon footprinting for equities.</p> <p>The Trustee has delegated its voting rights to the investment managers. The Trustee is looking to enhance its reporting on voting activity by reviewing an annual voting and engagement report which will be produced by the Trustee's investment consultant.</p> <p>For the DC Section, the Trustee will also consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.</p>	No deviation from this policy over the year to 31 December 2022.

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Financially and non-financially material considerations

The Trustee notes that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustee is satisfied that the funds currently invested in the Scheme are managed in accordance with its views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustee has access to updates on governance and engagement activities by the investment managers, and input from its investment advisor on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustee acknowledges that it is delegating the consideration of financially material factors in relation to determining the underlying holdings to its investment managers, given they are investing in pooled funds.

The Trustee invests across a range of asset classes and styles. The Trustee expects the investment manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

Voting rights and engagement activities

DB Section

Voting rights

The Trustee is now entirely invested in fixed income assets and holds no equities. This means there are no voting rights attached to the assets held by the Scheme and therefore no delegation of voting rights is required.

Engagement activities

The Trustee has delegated engagement activities to the Investment Managers. The notable engagement activities of the investment managers for the DB Section are provided below:

BlackRock held constructive engagements with utility company AGL Energy Ltd. (AGL), in pursuit of long-term value creation. AGL is Australia's leading integrated essential service provider. The company delivers gas, electricity, and telecommunications services to residential, small and large business, and wholesale customers across the country. AGL operates Australia's largest electricity generation portfolio, representing approximately 20% of the total generation capacity within Australia's National Electricity Market. AGL is also Australia's largest carbon emitter, largely attributable to its coal-fired power station operations. As such, AGL is included in BlackRock Investment Stewardship's (BIS) climate focus universe. BIS has had a long and constructive history of engagement with members of AGL's board and management team. During the past year, BIS continued to focus their discussions on corporate governance and sustainability issues that they believe drive long-term shareholder value, including how the company is addressing climate related risks and opportunities and the energy transition, as well as what role, if any, coal-fired operations might play in its portfolio over time.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

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DC Section

The Trustee currently invests in pooled investment funds with the investment managers, and acknowledges that this limits its ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Trustee's stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

Within the current investment arrangements for the DC section, the Mercer Passive Global Equity, Mercer Diversified Retirement Fund and Mercer Growth/Balanced Risk Fund contain publicly listed equity holdings. These funds have voting rights attaching these underlying equities, and the Trustee has delegated these voting rights to Mercer, where Mercer sets its own voting policy. A summary of the votes made by Mercer from 1 January 2022 to 31 December 2022 on behalf of the Trustee for each fund currently used by the Scheme is provided in the table below.

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
Mercer	Passive Global Equity Fund	21,597	90%	9%	1%
Mercer	Diversified Retirement Fund	65,532	81%	17%	2%
Mercer	Growth/Balanced Risk Fund	112,916	83%	16%	1%

The Trustee has requested details of the significant votes made on behalf of the Trustee by the investment manager. In determining significant votes, the investment manager 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: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement.

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Significant votes

The Trustee believes the following are the most significant votes undertaken on their behalf over the Scheme year:

SIGNIFICANT VOTE 1	
Company	Microsoft Corporation
Date	13 December 2022
% of portfolio invested in firm	4% of Passive Global Equity Fund < 1% of Diversified Retirement Fund < 1% of Growth/Balanced Risk Fund
Resolution	Shareholder Proposal Regarding Managing Climate Risk in Employee Retirement Options
Why significant	- Shareholder Proposal - Engagement Priority (Climate Change) - Size of Holding
How voted	VOTED AGAINST
Vote outcome	Proposal failed

SIGNIFICANT VOTE 2	
Company	Amazon.com, Inc.
Date	25 May 2022
% of funds invested in firm	2% of Passive Global Equity Fund < 1% of Diversified Retirement Fund < 1% of Growth/Balanced Risk Fund
Resolution	Shareholder Proposal Regarding Report on Freedom of Association
Why significant	- Shareholder Proposal - Engagement Priority (Human Rights) - Industry Guidance (ShareAction)
How voted	VOTED FOR
Vote outcome	Proposal failed

Engagement activities

The Trustee will work with the investment manager of the DC Section over the next year to obtain details of engagement activities relating to the investment manager and the individual funds used in the DC Section.

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Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustee receives performance reports on a monthly basis from Blackrock and on a quarterly basis from Aviva, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed:



Date:

27 July 2023.

On behalf of the Trustee of the Mettler-Toledo Pension Scheme