Appendix 2 - Implementation Statement, covering the Scheme Year from 1 April 2020 to 31 March 2021

The Trustee of the ESAB Group (UK) Limited Pension & Life Assurance Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

This Statement is based on Scheme's SIP which was in place during the Scheme Year – last updated in September 2019. This Statement should be read in conjunction with the SIP which can be found online at https://www.esab.co.uk/gb/en/about.

1 Introduction

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was formally reviewed was in September 2019.

The Trustee has, in its opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2 Investment objectives

The Trustee's primary objective for the DB Section is to ensure that the Scheme should be able to meet benefit payments as they fall due.

Having purchased a bulk annuity ("buy-in") policy in August 2019 to cover DB Section members' guaranteed benefits, the Trustee's secondary investment objective is to maintain surplus assets in cash until the policy can be assigned to the individual members and the Scheme can be wound up.

The Trustee's primary objective for the DC Section is to provide members with access to an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement.

3 Investment strategy

The Trustee, with the help of its advisers and in consultation with the employer, purchased a buy-in policy in August 2019, to cover DB Section members' guaranteed benefits.

The Scheme's remaining DB Section assets are held in a cash fund, to cover ongoing and winding-up expenses and any potential additional buy-in premium relating to data corrections.

For the DC Section of the Scheme, the Trustee offers members a range of investment funds. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved.

4 Considerations in setting the investment arrangements

There was no review of the Scheme's investment strategy completed during the Scheme year. The Trustee last reviewed its investment beliefs, including its beliefs regarding environmental, social and governance (ESG) factors as part of the updates to the Scheme's SIP in September 2019.

The Trustee is progressing with the wind-up of the Scheme, which includes consolidating the DC section and AVC benefits with the existing buy-in provider (Rothesay Life). This transition is expected to take place in early 2022 and therefore much of the work undertaken during the Scheme year was in relation to the planning of the Scheme wind-up, including consideration of appropriate mapping of members' DC and AVC benefits to similar funds with Rothesay.

5 Implementation of the investment arrangements

The Trustee has not made any changes to their manager arrangements over the period.

The Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the funds.

The Trustee was comfortable with all of its investment manager arrangements over the Scheme Year.

The Trustee monitors the performance of the Scheme's investment managers on an annual basis, using the annual performance monitoring report. The report shows the performance of each manager over the one year, three and five years. Performance is considered in the context of the manager's benchmark and objectives.

During the Scheme Year the Trustee assessed the investment manager's fees as part of the DC value for money assessment. Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and cost that they incur.

6 Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

For the DB Section, the buy-in provider is obliged to deliver the cash flow stipulated in the contract, which is designed pay member benefits in full and on time.

For the DC Section, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7 Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In respect of the DB Section, the Trustee does not consider these factors on the basis that the investments now consist of the buy-in policy secured with Rothesay Life and the small remaining investments held in the L&G Cash Fund.

In respect of the DC Section, the Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice. The Trustee did not review the Scheme's managers' processes over the year as the focus was on working towards the winding-up of the Scheme.

The Trustee does not take into account any non-financial matters in respect of the DB Section or the DC Section in the selection, retention and realisation of investments.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity, but has implicitly delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations, to be carried out in line with the managers' general policies on stewardship, as provided to the Trustee from time to time. The Trustee expects its investment adviser to monitor the voting practices of the managers and report any issues to the Trustee as necessary. There were no such issues reported to the Trustee over the Scheme year.

8 Voting and engagement

This is covered in Section 7 above.

9 Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Scheme's investments on an annual basis, using the annual performance monitoring report.

The performance of the professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has put in place formal objectives for its investment adviser and will review the adviser's performance against these objectives on a regular basis.

10 Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee's policy for some risks, given their nature, is to understand them and to address them if they become necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustee by the Scheme's investment manager. These include credit risk, equity risk, currency risk and custodian risk.

These risks are mainly applicable to the DC Section of the Scheme, following the purchase of the buy-in policy with Rothesay in August 2019.

11 Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds managed by Legal & General Investment Management ("L&G") and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to

direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's DC funds that hold equities as follows:

- L&G PMC Global Equity Fixed Weights (50:50) Index Fund
- L&G PMC Multi-Asset Fund
- L&G PMC Retirement Income Multi-Asset Fund

The voting data for the following funds which hold equities have not been included based on materiality grounds as these funds make up less than 1% of the Scheme's total assets:

- L&G PMC UK Equity Index Fund
- L&G PMC Japan Equity Index Fund
- L&G PMC European Fund
- L&G PMC International Fund
- L&G PMC Distribution Fund

At the time of writing, L&G was unable to provide voting data for the following funds which also held equities over the period:

- L&G PMC Managed Fund

None of the Scheme's other pooled funds invested in over the Scheme Year held any assets with voting opportunities.

11.1 Description of the voting processes

L&G's voting and engagement activities are driven by its ESG professionals and their assessment of the requirements in these areas. L&G seeks to achieve the best outcome for all its clients. L&G's voting policies are reviewed annually and take into account feedback from clients. Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by L&G's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant companies.

The Investment Stewardship team use third parties to augment their own research and proprietary ESG assessment tools when making specific voting decisions.

L&G's Investment Stewardship team uses ISS's 'ProxyExchange' voting platform to electronically vote clients' shares. To ensure its proxy provider votes in accordance with its position on ESG, L&G has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what it considers to be minimum best practice standards which all companies globally should observe, irrespective of local regulation or practice.

L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows L&G to apply a qualitative overlay to its voting judgement. It has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes inputted into the platform, and an electronic alert service to inform L&G of rejected votes which require further action.

11.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3
Fund name	Global Equity Fixed Weights (50:50) Index Fund	Multi-Asset Fund	Retirement Income Multi-Asset Fund
Total size of fund at end of reporting period	£4.1bn	£839m	£946m
Value of Scheme assets at end of reporting period	£1.7m	£1.0m	£0.3m
Number of equity holdings at end of reporting period	2,858	6,530	7,832
Number of meetings eligible to vote	3,641	11,238	11,211
Number of resolutions eligible to vote	44,680	114,616	114,644
% of resolutions voted	100.0%	99.8%	99.8%
Of the resolutions on which voted, % voted with management	83.6%	81.7%	81.7%
Of the resolutions on which voted, % voted against management	16.3%	17.7%	17.7%
Of the resolutions on which voted, % abstained from voting	0.2%	0.6%	0.6%
Of the meetings in which the manager voted, % with at least one vote against management	5.5%	6.4%	6.3%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.4%	0.2%	0.2%

11.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, provided by L&G, across its funds are set out below.

We have provided a subset of the significant votes provided by L&G based a balance between votes cast on environmental, governance and social criteria.

Qantas Airways Limited, Australia, October 2020. Vote: For. Outcome of the vote: For Summary of the resolution: To approve the Remuneration Report.

Rationale: The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from L&G as they wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. L&G's Investment Stewardship team engaged with the Head of Investor Relations of the company to express their concerns and to understand the company's views. They supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan.

Criteria against which this vote has been assessed as "most significant": It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.

Whitehaven Coal, Australia, November 2020. Vote: For. Outcome of the vote: Against

Summary of the resolution: Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.

Rationale: L&G's rationale for voting for the resolution is due to the role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation. In Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. L&G has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.

Criteria against which this vote has been assessed as "most significant": The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.

International Consolidated Airlines Group, United Kingdom, September 2020. Vote: Against. Outcome of the vote: Against

Summary of the resolution: To approve the Remuneration Report.

Rationale: The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, L&G addressed a private letter to the company to state its support during the pandemic. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. L&G were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. L&G would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, L&G have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board.

Criteria against which this vote has been assessed as "most significant": It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package

Barclays, United Kingdom, May 2020. Vote: For. Outcome of the vote: For

Summary of the resolution 29: To approve Barclay's Commitment in Tackling Climate Change

Summary of the resolution 30: To approve ShareAction Requisitioned Resolution

Rationale: The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. L&G are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.

Criteria against which this vote has been assessed as "most significant": The vote is significant as it is related to the climate reporting of Barclays.

Olympus Corporation, United States, July 2020. Vote: Against. Outcome of the vote: For

Summary of the resolution: Elect Director Takeuchi, Yasuo

Rationale: L&G believe that Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. L&G have for many years promoted and supported an increase of women on boards,

at the executive level and below. On a global level L&G consider that every board should have at least one female director. We deem this a de minimis standard. Last year in February L&G sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that they expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, L&G announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100. L&G opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.

Criteria against which this vote has been assessed as "most significant": The vote is significant as L&G voted against the election of a director due to a lack of diversity.

ESAB Group (UK) Limited Pensions & Life Assurance Scheme
28 September 2021