

# SG Magnets Limited Retirement Benefits Scheme – Implementation Statement for the year ended 31/03/2023

## 1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies as set out in the Scheme's Statement of Investment Principles ("SIP") have been complied with during the year ended 31 March 2023. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. These include the exercise of rights (including voting) and undertaking of engagement activities in respect of the Scheme's investments. In addition, this statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## 2. Background

Under the regulatory now in force, Trustees of Occupational Pension Schemes are required to state their policy on the exercise of the rights attaching to the investments, and on undertaking engagement activities in respect of the investments. Trustees are also required to report on how and the extent to which they have followed this policy and on significant votes.

This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

This Statement has been prepared by the Trustees with the assistance of their Investment Consultant (Quantum Advisory).

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees, or the Investment Adviser on the Trustees behalf.

## 3. Executive summary

Over the Scheme year, the Trustees:

- Through their investment advisers, reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content that the Scheme's investment managers have appropriately carried out their stewardship duties.
- Are of the opinion they have complied with the relevant policies and procedures as identified in the SIP.

- Have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees believe there is less scope to influence the practices within such arrangements. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they engage with companies, especially with those which it lends. This ensures that the voice of the bond holder is reflected in conversations.

## 4. Reviews of the SIP over the Scheme year

The SIP was last reviewed in September 2020.

The Trustees confirm that:

- There have been no amendments to the SIP over the year.
- The SIP will be reviewed in future, to ensure any amendments to investment policy resulting from a review of investment strategy that is ongoing are reflected. The Trustees will seek advice from the Investment Adviser on the SIP and the suitability of the investments.

## 5. Investment Manager's voting and stewardship policies and activity

### Trustees' voting and stewardship policies

The Trustees, through their investment advisers, consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustees are unable to direct how votes are exercised and have not used a proxy voting services provider over the Year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions.

As part of this exercise, the Trustees, through their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds. This is to ensure that investment managers engage in voting behaviour that is consistent with the Scheme's stewardship priorities as set out in the SIP.

Over the scheme year, the voting activities of the following funds have been reviewed:

- Legal & General Investment Management ("LGIM") World Equity Index
- LGIM World Equity Index – GBP Hedged
- BNY Mellon Real Return

### Manager's voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this review, the extent to which the investment managers make use of any proxy advisory and voting services was reviewed, in addition to the alignment to the scheme's stewardship priorities. The Trustees, through their investment advisor, are satisfied that the voting and stewardship policies and procedures of the investment managers aligned with the Schemes stewardship priorities over the scheme year.

## Voting statistics

The table below sets out the key statistics on voting eligibility and actions over the year to 31 March 2023 for LGIM World Equity Index (both hedged and unhedged versions) and BNY Mellon Real Return Fund.

Statistic	LGIM World Equity Index Fund (hedged and unhedged)	BNY Mellon Real Return Fund
Number of equity holdings	3,309	69
Meetings eligible to vote at	3,145	78
Resolutions eligible to vote on	38,823	1,287
Proportion of eligible resolutions voted on (%)	99.9	100
Votes with management (%)	78.8	89.2
Votes against management (%)	20.5	10.8
Votes abstained from (%)	0.7	0.0
Meetings where at least one vote was against management (%)	75.6	45.0
Votes contrary to the recommendation of the proxy adviser (%)	14.4	7.0

Source: LGIM and BNY Mellon.

The Trustee is satisfied with the level of voting activity that has been undertaken.

## Significant votes over the reporting year

The Trustees, through their investment advisers, reviewed the significant votes cast by the investment managers and assessed these votes against the Scheme's stewardship priorities. Where the managers significant votes do not align with the Scheme's stewardship priorities the managers voting behaviour will be queried.

The Trustees have interpreted "most significant votes" to mean their choices from an extended list of "most significant votes" provided by each of the investment managers following the PLSA guidance provided.

Where possible, the Trustees, through their investment advisor, have selected significant votes which incorporate financially material ESG factors. Votes have also been selected, where possible, to include

different ESG considerations. The schemes classification of a significant vote generally aligned with the reviewed funds over the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

## 6. Conflicts of interest

This section assesses whether LGIM are affected by the following conflicts of interest, and how these are managed.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; and
5. Differences between the stewardship policies of managers and their clients.

### LGIM

LGIM have not directly commented on which of the above conflicts of interest they are affected by, but have instead referred the Trustee to their conflicts of interest policy.

The Trustee has received a copy of the conflicts of interest policy from LGIM and will request sight of this document and details of any relevant conflicts of interest annually from LGIM.

### Newton

Newton manage the BNY Mellon Real Return Fund.

Newton have confirmed that over the reporting year, the manager is affected by the first conflict of interest listed above.

Newton seek to ensure conflicts of interests are recognised, recorded and mitigated. They maintain a list of all investments where they identify a potential material conflict of interest. The list includes all funds sub-advised by Newton or managed by affiliates of its parent company, BNY Mellon and also includes companies that are directly linked to their underlying clients, such as corporate pension funds.

If any potential material conflict of interest between Newton, an investee company and/or a client is identified, it is their voting policy that the recommendation of their external voting service provider will be followed.

## Appendix 1 – Manager voting policies

### **LGIM’s voting policies and processes**

LGIM’s Investment Stewardship team make all voting decisions, in accordance with LGIM’s 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 company.

LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM’s own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM’s position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

### **Newton’s voting policies and processes**

Newton’s head of responsible investment (“RI”) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. They do not maintain a strict proxy voting policy. Instead, Newton prefer to consider a company’s individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, they may confer with the company or other interested parties for further clarification, to reach a compromise, or to achieve a commitment from the company.

Newton employ a variety of research providers that aid in the vote decision-making process, including proxy advisors such as ISS. They utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

For the avoidance of doubt, all voting decisions are made by Newton. It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ISS) will take precedence. It is also only in these circumstances when they may register an abstention given their stance of either voting in favour or against any proposed resolutions.

## Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme’s investment managers has been reviewed by the Trustees.

### LGIM World Equity Index (GBP Hedged and unhedged) Fund

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”) consultation. 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 LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

Company Name	Amazon.com, Inc.	Alphabet Inc.
<b>Date of Vote</b>	May 2022	June 2022
<b>Summary of the resolution</b>	Elect Director Daniel P. Huttenlocher	Report on Physical Risks of Climate Change
<b>Stewardship priority</b>	Governance	Environmental
<b>Size of the holding (% of portfolio)</b>	1.82	1.14
<b>How the firm voted</b>	Against	For
<b>Was the vote against management and was this communicated beforehand?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
<b>On which criteria has the vote been deemed as ‘significant’?</b>	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for

		high quality and credible transition plans to be subject to a shareholder vote.
<b>Outcome of the vote</b>	93.3% voted for the resolution.	17.7% voted for the resolution.
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.

### BNY Mellon Real Return Fund

The most significant votes for Newton are those that have been against management of the companies held. Newton have stated that these have the potential for the greatest impact, as areas for improvement can be highlighted and there is no automatic positive intent of ownership.

<b>Company Name</b>	<b>Greencoat UK Wind Plc</b>	<b>Universal Music Group NV</b>
<b>Date of Vote</b>	April 2022	May 2022
<b>Summary of the resolution</b>	Re-elect Shonaid Jemmett-Page as Director	Advisory Vote to Ratify Named Executive Officers' Compensation
<b>Stewardship priority</b>	Governance	Governance
<b>Size of the holding (% of portfolio)</b>	1.68	0.64
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	Vote was with management.	Vote was with management.
<b>On which criteria has the vote been deemed as 'significant'?</b>	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which	This vote provides an example of where a majority of the companies minority shareholders disagreed with a company's pay practices.

	would prevent unnecessary value dilution for existing shareholders.	
<b>Outcome of the vote</b>	15% voted against.	30% voted against.
<b>Does the trustee/asset manager intend to escalate stewardship efforts?</b>	N/A	N/A