

SG Magnets Limited Retirement Benefits Scheme - Implementation Statement for the year ended 31 March 2024

1. Purpose

This Implementation Statement has been prepared by the Trustees of the SG Magnets Limited Retirement Benefits Scheme (the "Scheme"). It reports on how, and the extent to which, the policies as set out in the Scheme's Statement of Investment Principles ("SIP") dated August 2020 have been complied with during the year ended 31 March 2024. In preparing this statement, voting and stewardship policies, conflicts of interest and engagement have been reviewed. This review has been conducted by the Scheme's investment adviser and the Trustees have reviewed and approved the conclusions within this statement. This includes the exercise of rights (including voting) and other engagement activities undertaken in respect of the Scheme's investments. The statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

2. Background

This Statement has been prepared by the Trustees, with the assistance of its Investment Adviser (Quantum Advisory), in line with the current regulatory guidance that was in place at the Scheme year end.

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' Investment Adviser reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are satisfied with their Investment Adviser's conclusion that the Scheme's investment managers have appropriately carried out their stewardship duties.
- The Trustees are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP. The SIP was updated in March 2024 after the year-end to reflect changes that were made to the Scheme's investment strategy during the Scheme year.
- The Trustees are aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

Funds that do not hold equities do not have voting rights. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they actively engage with their investments.

4. Investment Manager's voting and stewardship policies and activity

Trustees' voting and stewardship policies

The Trustees 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 proxy voting services over the year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions. As part of this exercise, the Trustees, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

The Trustees do not currently have any stewardship priorities in place. However, the Trustees aim to undertake a review of the Scheme's stewardship priorities over the coming Scheme year and review whether or not the investment managers' stewardship priorities are aligned with these thereafter. Should the voting activities and stewardship policies of an invested fund not appropriately align with the Scheme's stewardship priorities, the Trustees will escalate these concerns with the relevant investment manager and if necessary review the Scheme's position within the fund.

Over the Scheme year, the voting activities of the following funds have been reviewed by Quantum Advisory on behalf of the Trustees:

- LGIM World Equity Index Fund
- LGIM World Equity Index Fund – GBP Currency Hedged
- BNYM Real Return*

The Trustees have reported on the funds that were held during the Scheme year.

Please note, Insight are not eligible to vote on the equity exposure in the Insight Broad Opportunities Fund, as it is gained through derivatives. However, where the fund has exposure to listed infrastructure companies, Insight have voted on these. Therefore, voting information they have provided relates to listed infrastructure holdings only.

Furthermore, the general stewardship policies of the above funds and the funds listed below have also been reviewed by Quantum Advisory on behalf of the Trustees.

** Indicates funds that were sold in October 2023, and ** indicates funds that were bought in October 2023*

- Insight Maturing Buy and Maintain 2021-2025
- Insight Maturing Buy and Maintain 2026-2030
- LGIM Buy and Maintain Credit**
- LGIM AAA-AA-A Corporate Bond – Over 15 Year Index**
- LGIM Over 5 Year Index-Linked Gilts Index**
- LGIM 5-15 Year Index Linked Gilt**
- LGIM 2049 Gilt**
- LGIM 2060 Gilt**
- LGIM 2068 Gilt**
- CT Nominal Dynamic LDI*

- CT Real Dynamic LDI*
- LGIM Cash*

Manager’s voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this Statement, Quantum Advisory has noted the investment managers stewardship policies and the extent to which the investment managers make use of any proxy advisory and voting services. Quantum Advisory are satisfied that the voting and policies/procedures of the investment managers are reasonable and consistent with industry practice. Quantum Advisory are also satisfied that the general stewardship policies of all the investment managers are reasonable and consistent with industry practice. This includes investments in bonds and other instruments. The Trustees have approved of these conclusions.

Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year.

Statistic	LGIM World Equity Index Fund	LGIM World Equity Index Fund – GBP Currency Hedged	BNYM Real Return
Number of equity holdings	2,915	2,915	65
Meetings eligible to vote at	2,982	2,982	69
Resolutions eligible to vote on	37,017	37,017	1,101
Proportion of eligible resolutions voted on (%)	99.9	99.9	99.3
Votes with management (%)	79.1	79.1	92.0
Votes against management (%)	20.8	20.8	7.8
Votes abstained from (%)	0.1	0.1	0.0
Meetings where at least one vote was against management (%)	75.3	75.3	46.4
Votes contrary to the recommendation of the proxy adviser (%)	15.5	15.5	4.9

Source: LGIM and BNY Mellon. Note: Totals may not sum due to rounding.

Significant votes over the reporting year

Quantum Advisory have reviewed the most significant votes cast by the investment managers on behalf of the Trustees and, as a whole, are satisfied that these are generally as expected.

The Trustees have interpreted the most significant votes to mean their choice of votes from an extended list of significant votes provided by each of the investment managers in accordance with the PLSA guidance.

The significant votes provided by investment managers are determined by the stewardship policies they have in place. As the Scheme has not set any stewardship priorities at the end of the Scheme year, significant votes will be classified according to these manager policies. However, the Trustees have reviewed and are satisfied with the managers' classifications of significant votes during the Scheme year.

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

5. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed. These conflicts are not specific to the scheme and relate to the general conflicts of interest within the investment managers.

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 refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. This refusal for a direct comment on the selected funds was raised by the Trustee. In place of providing a direct response, LGIM referred the Trustee to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

The Trustee has received a copy of the conflicts of interest policy.

Newton

Newton Investment Management ("Newton") manages the BNY Mellon Real Return Fund. Newton have confirmed that they were not affected by any of the conflicts of interest stated above for the Real Return Fund over the period. Newton did however confirm that they were exposed to conflicts of interest at the firm level over the period.

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

Please note, the fund was sold part way through the year.

Appendix 1 - Investment manager stewardship policies and procedures

LGIM

LGIM have a proven track-record of being active owners; striving to use their scale to ensure that the companies in which they invest are acting responsibly and markets / regulators create an environment in which good management of ESG factors are valued and supported. Although LGIM tend to focus on equity stewardship, LGIM also extends its ESG analysis and engagement policies to its active fixed income investments. LGIM aims to incorporate ESG considerations to assess ESG risks from a financial perspective and LGIM also engages with issuer companies through its global engagement groups. Please note, however, this approach does not extend to the Scheme's UK Government Bond holdings as these are invested passively. Quantum believes this is reasonable given their underlying investments. For Equity holdings, 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

Newton have a proven track-record of being active owners, striving to use their scale to ensure that the companies in which they invest are acting responsibly. In addition to actively engaging with companies, Newton considers ESG risks and opportunities when conducting its research process.

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 cast

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 through their investment adviser.

Significant vote definitions

LGIM

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the 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;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes of: people, nature, health, technology, governance and climate change.

Newton

Newton's significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds.

Newton draws significant votes from this universe and defines significant votes as those that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders.

Significant votes

LGIM World Equity Index (GBP Hedged and Unhedged)

Company Name	Amazon.com, Inc	Alphabet, Inc
Date of Vote	May-23	June-23
Summary of the resolution	Report on Median and Adjusted Gender/ Racial Pay Gaps	Approve Recapitalisation Plan for all Stock to have One-Vote per Share
Size of the holding (% of portfolio)	1.6	1.3
How the firm voted	For	For
Was the vote against management and was this communicated beforehand?	<p>The vote was against management recommendation.</p> <p>LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.</p>	<p>The vote was against management recommendation.</p> <p>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 their policy not to engage with investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</p>
On which criteria has the vote been deemed as 'significant'?	<p>LGIM considers this vote significant, as they expect companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM consider this disclosure important so investors can assess the progress of the company's diversity and inclusion initiatives.</p>	<p>LGIM considers this vote significant as they expect companies to apply a one-share-one-vote as standard.</p>
Outcome of the vote	Fail	Fail
Does the Trustee/ asset manager intend to escalate stewardship efforts?	<p>LGIM will continue to engage with the company and monitor progress.</p>	<p>LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.</p>

BNY Mellon Real Return

Company Name	Unilever Plc	Lockheed Martin Corporation
Date of Vote	May-23	April-23
Summary of the resolution	Approve Remuneration Report	Report on Efforts to Reduce Full Value Chain GHG Emissions in Alignment with Paris Agreement Goal
Size of the holding (% of portfolio)	1.2	1.0
How the firm voted	Against	For Shareholder Proposal
Was the vote against management and was this communicated beforehand?	Vote was against management, but was not communicated beforehand.	BNY Mellon did not disclose if vote was against management, but vote was not communicated beforehand.
On which criteria has the vote been deemed as 'significant'?	BNY Mellon considers this vote significant due to the significant shareholder dissent. LGIM consider the vote outcome to be a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year.	BNY Mellon considers this vote significant as the support received for the proposal was substantial. LGIM would expect the company to provide enhanced disclosures particularly around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes.
Outcome of the vote	Fail	Fail
Does the Trustee/ asset manager intend to escalate stewardship efforts?	BNY Mellon will continue to exercise future votes in support of their views surrounding significant salary increases and alignment between pay and performance.	BNY Mellon will continue to monitor the company.

Source: BNY Mellon.