

# SG Magnets Limited Retirement Benefits Scheme – Implementation Statement 2022

This document has been prepared by Dalriada Trustees Limited (the “Trustee”), in their capacity as Trustee of the SG Magnets Limited Retirement Benefits Scheme (the “Scheme”).

It sets out the stewardship policies of the Scheme’s investment managers, the Trustee’s voting and engagement policies (that are also stated in the Scheme’s Statement of Investment Principles (“SIP”) dated September 2020), and demonstrates how these policies have been followed over the year to 31 March 2022.

References herein to the actions, review work or determinations of the Trustee refer to activity that has been carried out by the Trustee, or its investment consultant on behalf of the Trustee.

## 1. Trustee’s policies regarding stewardship

The Trustee acknowledges the constraints they face in terms of influencing change due to the size and nature of the Scheme’s investments (including its use of pooled funds). Furthermore, the Trustee notes that the investment strategy and decisions of the fund managers cannot be tailored to the Trustee’s policies and the managers are not remunerated directly on this basis. However, the Trustee, with the help of Quantum Advisory, set the investment strategy for the Scheme and select appropriate managers and funds to implement this.

The Trustee’s policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee’s behalf, having regard to the best financial interests of the beneficiaries. The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers’ voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund manager to engage with investee companies on the capital structure and management of conflicts of interest. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment (“UN PRI”) or other similarly recognised standard.

The Trustee does not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustee does, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers’ policy. If this fails, the Trustee will review the investments made with the investment manager. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or

equity is expected to be undertaken so as to target medium-to-long term value creation. The Trustee monitors the performance of the Scheme's funds via an annual investment report, produced by its investment consultant. The Trustee also monitors the development of Environmental, Social and Governance ("ESG") considerations of each investment manager on an annual basis.

The Trustee reviews the voting activity of the investments managers/funds where there is the opportunity to influence positive practises (namely those that invest in equities). Over the year, the Scheme was invested in equities through the LGIM World Equity Index GBP Hedged Fund. The Trustee has reviewed the managers' voting policies and processes including most significant votes cast over the period. This information, and the conclusions the Trustee has drawn, are set out in the following pages.

## 2. Manager's voting policies

This section summarises the voting policies and processes of the LGIM World Equity Index GBP Hedged Fund.

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. This is intended to ensure LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all of their clients. LGIM's voting policies are reviewed annually and feedback from clients is considered.

LGIM's Investment Stewardship team uses the Institutional Share Services ("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 Institutional Voting Information Services (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 vote 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 us of rejected votes which require further action.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) 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 LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead.

### 3. Voting eligibility and activity

The table below sets out the key statistics on voting eligibility and actions over the year to 31 March 2022 for LGIM World Equity Index GBP Hedged Fund.

#### Voting statistics

Statistic	LGIM World Equity Index GBP Hedged Fund <sup>2</sup>
Number of equity holdings	2,601
Meetings eligible to vote at	3,079
Resolutions eligible to vote on	36,675
Proportion of eligible resolutions voted on	99.8%
Votes with management	80.2%
Votes against management	19.0%
Votes abstained from	0.9%
Meetings where at least one vote was against management	72.9%
Votes contrary to the recommendation of the proxy adviser	13.3%

Source: LGIM.

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

### **Significant votes**

Appendix 1 provides some examples of the most significant votes cast (as defined by LGIM) in relation to the LGIM World Equity Index GBP Hedged Fund over the year to 31 March 2022.

The criteria that LGIM have applied in selecting the most significant votes is set out below.

In determining significant votes, LGIM's Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). 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.

### **Conclusions**

The Trustee has reviewed the most significant votes cast by LGIM over the reporting period and is generally satisfied.

LGIM have determined their most significant votes at a firmwide level. Of these, the World Equity Index GBP Hedged Fund holds 19 of these companies. Furthermore, because of this approach, LGIM have not disclosed the size of the holding (as a proportion of the fund size).

#### 4. Manager’s 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 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.

#### Appendix 1 – Most significant votes cast

The table below sets out some examples of significant votes undertaken by the LGIM World Equity Index GBP Hedged Fund.

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association consultation (“PLSA”) which is listed in section 3.

Company Name	Amazon.com, Inc.	Intel Corporation
<b>Date of Vote</b>	26/05/2021	13/05/2021
<b>Summary of the resolution</b>	Elect Director Jeffrey P. Bezos	Report on Global Median Gender/Racial Pay Gap
<b>How the firm voted</b>	Against	LGIM voted for the resolution (management recommendation: against).

<b>Outcome of the vote</b>	95.1% of shareholders supported the resolution.	14.3% of shareholders supported the resolution.
<b>On which criteria have LGIM assessed this vote to be "most significant"?</b>	LGIM considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM views gender diversity as a financially material issue for its clients, with implications for the assets that LGIM manage on their behalf.

Source: LGIM