The Inductotherm Europe Limited Retirement Benefits Plan (1971) – year to 31 March 2021

Implementation Statement

Introduction

The Trustees of Inductotherm Europe Limited Retirement Benefits Plan (1971) ("the Plan") have prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to describe the actions taken over the past year and how they relate to the intentions and policies we have set out in Statements of Investment Principles (SIPs), dated September 2020. This statement covers the period 1 April 2020 to 31 March 2021.

Whilst the Plan has separate SIPs for the Defined Contribution ("DC") and the Defined Benefit ("DB") sections, we have set out a unified implementation statement, as both sections have the same policies on voting and engagement.

Overview

The Plan's assets are invested in pooled investment funds (held via the Mobius Life investment platform) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund managers of the pooled investment funds, Legal & General Investment Management ("LGIM"), and Columbia Threadneedle Investments ("Threadneedle").

As the Trustees of the Plan's assets, we are responsible for the selection and retention of the funds accessed via the Mobius Life investment platform. Analysing the voting and engagement activities, which we include details on below, is a useful part in helping us ensure they remain appropriate and are consistent with the managers' stated policies in this regard. We will engage with the fund managers should we have any concerns about voting and/or engagement activities carried out on our behalf.

During the year to 31 March 2021, the Trustees updated the SIPs to meet the new regulations that came into effect from 1 October 2020. Below we highlight some of the key activities/changes over the last year:

Changes to the Statement of Investment Principles during the period

In September 2020 the Trustees reviewed the SIPs to cover the Trustees' policy on Environmental, Social and Governance ("ESG") considerations, Stewardship and Climate Change. The following wording was added in response to new regulatory requirements:

- *The Trustees believe that their primary responsibility is to invest the Plan's assets for the longer-term financial best interests of the Plan's beneficiaries, as reflected by the Trustees' strategic investment objectives (including the Plan's investment time horizon). The Trustees believe that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Plan.*

- *The Plan's investment funds are chosen to aim to achieve the Plan's strategic investment objectives, with consideration given to ESG factors over the Plan's investment time horizon when* *these fund choices are both made and reviewed from time-to-time. The Trustees are aware of and regularly monitor the Plan's investment time horizon. This means that the Trustees are able to take a long-term view of the Plan's investments when assessing managers' performance and/or asset allocation.*

- *The Plan's investment funds are deliberately and consciously chosen to align with the Plan's strategic investment policies and objectives, in particular the investment funds' asset class exposure(s), the balance between different asset classes (where appropriate) and expected return and risk. In addition, the fees applicable to the Plan's investment funds are taken into account to ensure that these are also consistent with the Plan's investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.*

- *A key element of the selection of the Plan's investment funds is the Trustees' assessment of the likelihood of each investment fund achieving its performance objective on a medium/long term and sustainable basis. For actively managed funds this is in part based on each investment fund's ability to select investee companies, for both debt and equity, that are sustainable and will produce good medium/long term performance on financial measures. The Trustees also believe that, in general, good long term performance on non-financial measures will support and contribute to good long term performance on financial measures.*

- *An important part of each investment fund's ability to invest sustainably in this way is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance. The Trustees believe that active engagement with company management can often lead to better outcomes in the long term than simply excluding companies or sectors from portfolios.*

- *The Trustees measure and monitor the performance versus target of all their investment funds on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered. The portfolio turnover costs will be part of the after fees fund performance and are therefore reflected in that figure.*

- *The Trustees' intention is to appoint investment managers for the long term and avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustees believe that an investment fund can no longer achieve its performance target, and believe that it is in the Plan's best interests to make a change, they will do so.*

- Due to the Trustees' use of pooled investment funds, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are, ultimately, delegated to each investment manager and may differ depending on the objectives of each investment fund and the manager's own policies in this regard.

- *The Trustees periodically obtain and review the relevant ESG and Stewardship policy documents for their appointed investment manager. When relevant, the Trustees will challenge the investment manager on their policies. Should the Trustees be unsatisfied with the response, they will take the approach that is believed to be in the best interests of the Plan's beneficiaries, which could involve further engagement with the investment manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustees' expectations with regard to ESG and Stewardship policy.*

- *When making investment decisions, the Trustees do not explicitly take into account the views of the Plan's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Plan's beneficiaries.*

Changes to investment strategy

No changes to the DB or DC investment strategy were made during the year to 31 March 2021.

Reporting and oversight

The Trustees have regularly reviewed the performance of the funds over the year and performance information is set out elsewhere in this report. The Trustees are satisfied with the performance of the default fund and the self-select fund range in the DC section given their objectives. The Trustees, in conjunction with the sponsoring employer, continue to review the operational efficiency and ongoing management of the DC Section, including potential alternatives to the current structure.

Changes to investment governance

In November 2019 the Trustees put in place objectives for the current investment consultant. The purpose of these objectives is to help ensure they are getting good value for money. The Trustees will continue to assess performance, relative to these objectives on an annual basis.

Compliance with the Statement of Investment Principles

The Trustees have reviewed the extent to which, in their opinion the Statements of Investment Principles have been followed in the year and the Trustees remain satisfied that they continue to follow all the principles, policies and processes as detailed in the Statement of Investment Principles.

Voting and engagement overview

Details on voting and engagement activities provided by LGIM and Threadneedle are set out below. In order to produce this statement we have asked LGIM and Threadneedle some questions on their policies, actions and examples relating to their voting and engagement activities. We have then reviewed these and summarised their responses for the purposes of this statement.

Although the DC section SIP includes the Standard Life Aberdeen GARS Fund, it is not available to new entrants and there has been no investment held in this fund since 1 May 2020. This fund has therefore been excluded from the analysis.

LGIM have provided information relating to the UK Equity Index Fund, the Global Equity (50:50) Index Fund and the Dynamic Diversified Fund as these funds hold equities for which they have voting rights. The Gilt and Cash funds do not hold equities and given that these investments do not confer voting rights, there was no voting carried out in relation to these funds.

Threadneedle have provided information relating to the Multi Asset Fund, as this fund holds equities for which they have voting rights.

LGIM voting and engagement activities

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 our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 company. This ensures our 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 Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA).

LGIM UK Equity Index Fund

LGIM were eligible to vote on 12,574 resolutions. They voted on 100% of the resolutions. Votes for: 93%, Against 7%, Abstained: <1%. In <1% of occasions LGIM voted against the recommendation provided by a proxy advisor (ISS).

LGIM Global Equity Fixed Weights (50:50) Index Fund

LGIM were eligible to vote on 44,680 resolutions. They voted on 99.9% of the resolutions. Votes for: 84%, Against 16%, Abstained: <1%. In <1% of occasions LGIM voted against the recommendation provided by a proxy advisor (ISS).

LGIM Dynamic Diversified Fund

LGIM were eligible to vote on 83,262 resolutions. They voted on 99.9% of the resolutions. Votes for: 84%, Against 15%, Abstained: <1%. In <1% of occasions LGIM voted against the recommendation provided by a proxy advisor (ISS).

Most significant votes

LGIM provided several examples in response to our request to provide details of their most significant votes. Four examples have been shown below and these examples apply to one or more of the funds.

1. **AMAZON**

   Date: 27/05/2020

   Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues and governance structures that benefit long-term shareholders.

   In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics:

   • Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings

   • Environment: Details about the data transparency committed to in their 'Climate Pledge'

   • Social: Establishment of workplace culture, employee health and safety

   The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of $2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed *to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.*

Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. Our engagement with the company continues as we push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.

2. EXXONMOBIL

Date: 27/05/2020

Resolution: Elect Director Darren W. Woods

Vote: Against

In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.

93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods.

Approximately 30% of shareholders supported the proposals for independence and lobbying.

We believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company.

Our voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.

We voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

3. BARCLAYS

Date: 07/05/2020

Resolution: Approve Barclays' Commitment in Tackling Climate Change

Vote: For (supported by 99.9% of shareholders)

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

The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely *with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.*

Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.

4. QUANTAS AIRWAYS LIMITED

Date: 23/10/2020

Resolution A: Approve participation of Alan Joyce in the Long-Term Incentive Plan
Resolution B: Approve Remuneration Report

Votes: Against resolution A and for resolution B

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 LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package.

In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution B) 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 (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution A to signal our concerns.

Threadneedle's voting and engagement activities

Columbia Threadneedle Investments views an integrated, joined-up approach to stewardship as an integral part of its responsible approach to investment.

We vote actively at company meetings, applying our principles on a pragmatic basis. We view this as one of the most effective ways of signaling approval (or otherwise) of a company's governance, management, board and strategy. We classify a dissenting vote as being where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.

While analysing meeting agendas and making voting decisions, we use a range of research sources and consider various ESG issues, including companies' risk management practices and evidence of any controversies.

Our final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research. Proxy voting is effected via ISS. Although we subscribe to proxy advisors' research, votes are determined under our own custom voting policy which is regularly updated. The RI team assesses the application of the policy and makes final voting decisions in collaboration with the firm's portfolio managers and analysts. Votes are cast identically across all mandates for which we have voting authority.

All our voting decisions are available for inspection on our website seven days after each company meeting. We engaged with numerous issuers throughout the quarter. In prioritizing our engagement work, we focus our efforts on the more material or contentious issues and the issuers in which we have large holdings – based on either monetary value or the percentage of outstanding shares.

There are many companies with which we have ongoing engagements, as well as a number that we speak to on a more ad hoc basis, as concerns or issues arise.

We actively participate in several investor networks, which complement our approach to engagement. Along with other investors, we raise market and issuer-specific environmental, social and governance issues, share insights and best practice. We do not make use of third-party engagement services.

Threadneedle Multi Asset Fund

Voting data

Threadneedle were eligible to vote on 6,988 resolutions. They voted on 98.9% of the resolutions. Votes for: 90%, Against 6%, Abstained: 4%.

Most significant votes

Threadneedle provided examples in response to our request to provide details of their most significant votes. Threadneedle consider a vote to be significant if the vote is against management's recommendation (whether against a management proposal where management recommend support or in favour of a shareholder proposal where management recommends a vote against). Within this, they do not distinguish whether one vote is more significant than another.

1. **Facebook, Inc.**

   Resolution: Report on Median Gender/Racial Pay Gap

   Vote: For

   Rational: Material social risk for business; in shareholders' interests.

2. **Comcast Corporation**

   Resolution: Report on Risks Posed by Failing to Prevent Sexual Harassment

   Vote: For

Rational: Material social risk for business; in shareholders' interests.

3. Kia Motors Corp.

Resolution: Approve Financial Statements and Allocation of Income

Vote: Abstain

Rational: ESG risk management concerns

With respect to the outcome of these votes*: We do not systematically capture vote results as they are published. Vote outcomes are reported only for UK and US markets, where public disclosure at the vote level is a regulatory requirement.*

With respect to the implications of the outcomes*: Where significant dissent is registered against a particular voting item, we expect companies to engage with their shareholders to discuss underlying issues and identify a path to the resolution. Where we identify that Boards have failed to take appropriate action as a result of a shareholder vote in excess of a relevant threshold, our stewardship approach (and the subsequent voting action we take) will take account of this.*