

The Inductotherm Europe Limited Retirement Benefits Plan (1971) – year to 31 March 2023

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 2021 and September 2020 for the DB and DC sections respectively. This implementation statement covers the period 1 April 2022 to 31 March 2023.

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 (the “Fund Managers”).

The Fund Managers of the pooled investment funds over the period were Legal & General Investment Management (“LGIM”), Columbia Threadneedle Investments (“Threadneedle”) and TwentyFour Asset Management (“TwentyFour”).

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 are satisfied with the voting and engagement activities of the Fund Managers, and in particular, that they are using their position as stakeholder to engage constructively with investee companies. However, we will engage with the Fund Managers should we have any concerns about the voting and/or engagement activities carried out on our behalf.

The Trustees had no cause to challenge the Fund Managers’ voting and/or engagement activities during the year to 31 March 2023.

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, Threadneedle and TwentyFour are set out below. In order to produce this statement we have asked LGIM, Threadneedle and TwentyFour 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.

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.

The TwentyFour Absolute Return Credit Fund does not hold equities and given that bonds do not confer voting rights there was no voting carried out in relation to this fund. TwentyFour do undertake engagement activities in respect of their bond holdings and we have included some examples below.

LGIM voting and engagement activities

The following commentary is based on the information that LGIM have provided in response to our questions and illustrates how they co-ordinate their voting and engagement activities with 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 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 10,870 resolutions. Votes for: 94%, Against 6%, Abstained: 0%.

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

LGIM were eligible to vote on 41,099 resolutions. Votes for: 84%, Against 16%, Abstained: 0.1%.

LGIM Dynamic Diversified Fund

LGIM were eligible to vote on 96,932 resolutions. Votes: For 79%, Against 21%, Abstained 1%.

LGIM provided the following examples in response to our request to provide details of their most significant votes:

1. Royal Dutch Shell Plc

Date: 24/05/2022

Resolution: Approve the Shell Energy Transition Progress Update

Vote: Against

"A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses."

2. Prologis Inc

Date: 04/05/2022

Resolution: Elect Director Hamid R. Moghadam

Vote: Against

'Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.'

Threadneedle - voting and engagement activities

The following is based on the information that Threadneedle have provided in response to our questions and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

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.

Columbia Threadneedle Multi Asset Fund

Voting data

CT were eligible to vote on 5,830 resolutions over the past year. Votes: For 88%, Against 8%, Abstained 2%. Threadneedle provided the following examples in response to our request to provide details of their most significant votes:

1. Cintas Corporation

Date of vote: 25/10/2022

Resolution: Report on Political Contributions. Vote against management on certain environmental or social proposals.

Vote: For

Rationale: Supporting better ESG risk management disclosures.

2. General Motors Company

Date of vote: 13/06/2022

Resolution: Report on the Use of Child Labor in Connection with Electric Vehicles

Vote: For

Rationale: Supporting better ESG risk management disclosures.

TwentyFour - engagement activities

The following information is based on the responses that TwentyFour have provided in response to our questions on voting and engagement. They are fixed income investors only and therefore do not have an opportunity to vote. The following provides an illustration as to how they co-ordinate their engagement activities with companies.

We believe that acting collaboratively with other investors and market participants can lead to better outcomes for clients and the market in general, and as such we are very happy to do so when appropriate. We have actively worked with other managers to help improve the governance of the sectors in which we operate, which we believe is beneficial for all of our respective clients.

TwentyFour is regularly consulted as an advisor by the Bank of England, the PRA/FCA, the UK Treasury, The European Commission and the European Banking Authority, as well as a number of other EU finance ministries (BaFin, DNB, and Bank of France etc.)

TwentyFour Absolute Return Credit Fund

As Fixed Income investors we are focused on protecting against the downside and this is where we focus our efforts when engaging. In certain instances we have engaged with management on subjects that we hope will influence management behaviour and decisions over the long term, and in some cases this may lead to improved financial outcomes – but our core focus remains on protecting against the downside. An example of this is provided below:

Yorkshire Building Society ('YBS') – environmental engagement

This engagement was conducted in relation to YBS's new 'Brass 10' Residential Mortgage Backed Securities transaction and came under our Carbon Emissions Engagement Policy, since YBS is lagging peers with respect to its ESG disclosures. Following the government's proposal for all UK homes to have a minimum EPC rating of C from 2035 (2025 for private landlords), we wanted to understand: the issuer's plans to reach this target, what green products it offers to incentivise homeowner upgrades, when it plans to disclose Scope 3 financed emissions, and any plans to reinforce its net zero commitments through signing up to the Science Based Targets initiative (STBi) or the Net Zero Banking Alliance.

Response

We discussed the reporting of Scope 3 emissions; we learned that YBS doesn't currently have a plan in place to report these but will consider it in the future, and we reiterated it was very important to us to obtain this data. YBS doesn't have any green products, but it is looking at offering some in the near term, and we highlighted it is lagging peers in this regard. There are now plans to improve the average EPC rating to C on owner occupied mortgages (we asked the issuer to focus on this given it intends to be in line with net zero for Scope 1 & 2 emissions by 2025 and the minimum EPC of C is to be in line with net zero). On the social side, we challenged YBS on its social-labelled securitisation and if it was doing anything differently; the lender has not changed its lending criteria and believe in its social label on the grounds that it targets underserved borrowers (i.e. self-employed borrowers who wouldn't be accepted by high street banks) and provides affordable housing. YBS doesn't have specific targets to increase social lending as a proportion of its total origination, since this is already part of what it does and all the proceeds of Brass 10 have already been allocated for social lending. YBS has significantly grown its ESG team, so we do expect progress on the concerns we highlighted in the near future.

Outcome

There is plenty of scope for improvement, especially regarding net zero and green products. We will continue to monitor progress and follow up in six months.

BHP Group Ltd – social engagement

Issue

We reached out to the multinational miner, BHP regarding the collapse of the Fundão tailings dam in Brazil in 2015 and their lack of action since.

Action

In their response only 96 of the 553 households displaced have been rebuilt and all 42 of the programs identified by the Renova Foundation are behind schedule. They provided insufficient detail on mitigation of future incidents nor actions taken to clean up and compensate for the disaster. Lack of action since the disaster highlights intrinsic social and governance concerns despite a strong raw ESG score.

Outcome

Do not invest.