

## The Trustee's Report (Cont)

### Implementation Statement

This Implementation Statement has been prepared by the Trustee of the Castings Technology International 1998 Pension Scheme ("the Scheme") and sets out:

- How the Trustee's policies on exercising rights (including voting rights) and engagement policies have been followed over the period
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the period from 1 April 2020 to 9 September 2020.

The 2019 Occupational Pension Schemes (Investment and Disclosure )(Amendment) Regulations (the "Regulations") require that the Trustee outlines how they have ensured compliance with the policies and objectives set out in their Statement of Investment Principles (SIP) over the course of the year under review.

The Trustee's Stewardship and Engagement policies are included in the Scheme's SIP, which is available online and on request.

After the end of the period, the Trustee reviewed the investment strategy in light of the Scheme entering PPF assessment. The Trustee agreed to redeem the holding in the LGIM Dynamic Diversified Fund and transfer the proceeds to the LGIM Sterling Liquidity Fund, with the intention to reduce the level of investment risk within the Scheme. The implementation of this decision was completed in March 2021.

### How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

The Scheme's Statement of Investment Principles was updated as at June 2020 and includes a section on responsible investment, governance and engagement in which the Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

However, the Trustee has considered that ESG issues may have a lesser impact than anticipated dependent on the outcome of Scheme's assessment by the PPF and resulting timescale invested in the current assets.

The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustee has an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustee does not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time. The Trustee receives information from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues. The Trustee receives and reviews voting information and engagement policies from both the asset managers and our investment advisors, which is reviewed to ensure alignment with their own policies.

The information received from the Investment Managers was deemed sufficient by the Trustee such that follow up meetings with the managers were not required over the period.

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Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies.

## Voting undertaken on behalf of the Trustee

The table below provides a summary of the voting activity undertaken in respect of each of the Scheme's funds that invest in equities. Where data is unavailable or not provided by the managers, Barnett Waddingham are working with those managers to correct these deficiencies.

The Investment Managers appointed by the Scheme have not been able to provide summary voting data for the reporting period 1 April 2020 to 9 September 2020 and have provided data covering the 12 month period 1 April 2020 to 31 March 2021, this has been used as an indicative representation of the managers voting tendencies.

### Voting Data for the period 1 April 2020 to 31 March 2021

Manager	Aberdeen Standard Investments	Legal & General Investment Management	Ninety One Asset Management
<b>Fund name</b>	Global Absolute Return Strategies Fund	Dynamic Diversified Fund	Diversified Growth Fund
<b>Structure</b>	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
<b>Number of company meetings the manager was eligible to vote at over the period</b>	245	7,887	147
<b>Number of resolutions the manager was eligible to vote on over the period</b>	3,365	83,262	1,865
<b>Percentage of resolutions the manager voted on</b>	98.19%	99.90%	92.23%
<b>Percentage of eligible resolutions the manager abstained from voting</b>	0.12%	0.68%	2.15%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	87.47%	84.09%	93.08%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total</b>	12.53%	15.24%	4.01%

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Manager	Aberdeen Standard Investments	Legal & General Investment Management	Ninety One Asset Management
<b>number of resolutions voted on</b>			
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	5.02%	0.25%	5.00%

Source: Fund managers.

The proportion of resolutions that were voted on or abstained from may not sum to 100%. This can be due to how managers or local jurisdictions define abstentions or classify formal voting or abstentions as opposed to not returning a voting form or nominating a proxy.

There are no voting rights attached to the other assets held by the Scheme and therefore there is no voting information shown above for those assets.

### Significant Votes

For the first year of implementation statements we have delegated to the investment manager(s) to define what a "significant vote" is. A summary of the data they have provided is set out below.

Aberdeen Standard Investments were not able to provide significant vote information for the Global Absolute Return Strategies Fund and so cannot be shown. The Scheme's advisors are working with the manager to attain the data required in an appropriate format for future periods.

#### Legal & General Investment Management – Dynamic Diversified Fund

The votes below represent those identified by the manager as significant and are presented in the order given by the manager.

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	International Consolidated Airlines Group	Lagardère	SIG plc.
<b>Date of vote</b>	7 September 2020	5 May 2020	9 July 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	Resolution 8: Approve Remuneration Report	Shareholder resolutions A to P. Remove many incumbent directors and replace with proposed candidates.	Resolution 5: Approve one-off payment of £375,000 to Interim CEO.
<b>How the manager voted</b>	Against	In favour of five of the proposed candidates	Against

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	Vote 1	Vote 2	Vote 3
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.		
<b>Rationale for the voting decision</b>	Board of Director bonuses at an inappropriate level given large staff redundancies, the withdrawal of shareholder dividend and the companies need to seek additional capital via a rights issue.	The company strategy was not creating shareholder value and the board members were not sufficiently challenging management on strategic decisions, along with various governance failures.	LGIM does not generally support one-off payments. They believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. This at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.
<b>Outcome of the vote</b>	28.4% of shareholders opposed the remuneration report.	Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board.	The resolution passed. However, 44% of shareholders did not support it. We believe that with this level of dissent the company should not go ahead with the payment.
<b>Implications of the outcome</b>	LGIM will continue to engage closely with the renewed board.	LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term.	LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.
<b>Criteria on which the vote is considered "significant"</b>	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.	The vote is high-profile and controversial.

Source: Legal & General Investment Management.

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### Ninety One – Diversified Growth Fund

The votes below represent those identified by the manager as significant and are presented in the order presented by the manager.

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Citigroup Inc.	Bank of America Corporation	Johnson & Johnson
<b>Date of vote</b>	21 April 2020	22 April 2020	23 April 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	Report on Lobbying Payments and Policy	Report on Gender Pay Gap	Report on Governance Measures Implemented Related to Opioids
<b>How the manager voted</b>	Against	Against	For
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Voted with management	Voted with management	Voted with management
<b>Rationale for the voting decision</b>	The company is disclosing adequate information for shareholders to be able to assess its engagement in the political process and its management of related risks.	Global median gender/racial pay gap" report would not produce meaningful information about worker fairness because categories of underrepresented minorities differ from country to country.	Shareholders would benefit from more specific information about proactive steps the board is taking to mitigate risks related to the manufacture and marketing of opioid-related products, and that incentives are aligned with the health of the communities it serves.
<b>Outcome of the vote</b>	Passed	Failed	Passed
<b>Implications of the outcome</b>	Not Provided	Not Provided	Ninety One will continue closely monitoring similar issues
<b>Criteria on which the vote is considered "significant"</b>	Thematic Vote/Shareholder Proposal – Social.	Thematic Vote/Shareholder Proposal - Social/Diversity.	Controversial vote that garnered media interest - Thematic Vote/Shareholder Proposal.

Source: Ninety One.

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### Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. The table below provides a summary of the approach to engagement undertaken by each manager during the year.

Manager	Aberdeen Standard Investments	Legal & General Investment Management	Ninety One
<b>Fund name</b>	Global Absolute Return Strategies Fund	Dynamic Diversified Fund	Diversified Growth Fund
<b>Does the manager perform engagement in relation to the holdings of the fund?</b>	Yes	Yes	Yes
<b>Has the manager completed engagement duties in relation to environmental, social and governance factors?</b>	<p>ASI discusses issues with the company before (a vote) and explain the reasons; similar with abstentions. The purpose of such engagements is to seek to influence changes in company policy and practice. In exceptional circumstances, they shall attend and speak at shareholder meetings to reinforce their views to the company's board.</p>	<p>LGIM complete engagement duties via a centralised Investment Stewardship Team. These 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.</p> <p>Communication with the underlying companies can occur anytime and not restricted to solely AGMs and shareholder meetings.</p> <p>L&amp;G's voting policies are reviewed annually and take into account feedback from our clients.</p>	<p>The investment team at Ninety One carry out their own engagements ensuring that the Fund's objectives are met, including any sustainability-based ones.</p> <p>For example, the Fund aims to hold c. 20% of the portfolio in companies that are enabling and benefitting from sustainable decarbonisation. This has involved engaging with the relevant companies on their carbon emission disclosures to ensure they are operating as intended.</p>

Over the course of 2020, the Trustee is pleased to report that they have in their opinion adhered to the policies set out in their SIP and have complied with the Regulations.