

MAG (STAL) Pension Scheme

**Annual Implementation  
Statement – Scheme year  
ending 30 September 2021**

Adopted by the Trustees on 29 March 2022

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## Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the MAG (STAL) Pension Scheme (“the Scheme”) covering the Scheme year (“the year”) from 1 October 2020 to 30 September 2021.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee’s policies on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year.

The SIP is a document which outlines the Trustee’s policies with respect to various aspects related to investing and managing the Scheme’s assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here:

<https://www.magairports.com/media/1674/mag-stal-pension-scheme-sip-september-2020.pdf>

This statement reflects the Scheme year 1 October 2020 to September 2021. The SIP linked above reflects the latest version of the SIP which is dated September 2020.

## Section 2: How the Trustee has adhered to its engagement and voting policies

The Trustee's policies on voting and engagement, as stated in the SIP are:

- The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments and to encourage the investment managers to exercise those rights. The investment managers are expected to be able to provide regular reports for the Trustee detailing their voting activity. The Trustee will take corporate governance policies into accounting when appointing and reviewing such investment managers.
- The Trustee expects their manager(s) to sign up to their local stewardship code, in keeping with good practice. The Trustee will monitor the activities of all their managers on a regular basis with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG\* impact of underlying holdings. However, the Trustee appreciates that its applicability may be limited for certain asset classes. These matters are kept under review by the Trustee, in consultation with their investment consultant and investment managers.
- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.
- For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies (e.g. hedge fund strategies or government bonds) where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

\* ESG stands for Environmental, Social and Governance and refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

As the investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and as the Trustee otherwise delegates responsibility for the exercising of voting rights to the Scheme's investment managers, it is the responsibility of the Trustee to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Given the investment in pooled funds, the Trustee has delegated corporate engagement to the Scheme's investment managers. The Trustee monitors, reviews and engages with the managers on how they have undertaken these activities.

In November 2020 the Trustee met virtually with both Towers Watson Investment Management and Arcmont to receive updates from both managers on their investments. The Trustee took this opportunity to receive updates from both managers on their approach to taking ESG factors into account when investing.

The Scheme's investment managers are signed up to the UK FRC Stewardship Code and the Trustee monitors the Scheme's investment managers' adherence to the Code. The latest statements of compliance for TWIM and LGIM can be found via the links below:

TWIM: <https://www.willistowerswatson.com/en-GB/Insights/2020/03/sustainable-investment-policy>

LGIM: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

As set out in section 4, the Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

## Section 3: Voting information

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Scheme's equity holdings as at the end of the year are held in pooled investment funds and are managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment managers.

The Scheme's equity holdings are invested with two investment managers, Towers Watson Investment Management ("TWIM") and Legal & General Investment Management ("LGIM"), in the following pooled investment funds:

- **Towers Watson Investment Management Partners Fund:** The Scheme was invested in this fund for the full year.
- **LGIM MSCI ACWI Adaptive Capped ESG Index Fund:** The Scheme was invested in this fund for the full year.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment managers. This section sets out the voting activities of the Scheme's equity investment managers over the year, including details of the investment managers' use of proxy voting.

All fund managers have their own voting policies that determine their approach to voting and the principles they follow when voting on investors' behalf. All investment managers also use voting proxy advisors which aid in their decision-making when voting. Details are provided in appendices 1 and 2.

The below table sets out the voting activity of the Scheme's equity investment managers, on behalf of the Trustee, over the year. All information is provided by the managers, and the Trustee understands this to the best available information from each manager.

Manager and strategy	Portfolio structure	Voting activity
<b>Towers Watson Investment Management Limited – Partners Fund</b>	Fund of funds	Number of meeting at which the manager was eligible to vote: 493 Number of resolutions on which manager was eligible to vote: 5,959 Percentage of eligible votes cast: 98.90% Percentage of votes with management: 85.40% Percentage of votes against management: 7.70% Percentage of votes abstained from: 6.90% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 29.80% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 8.70%
<b>Legal and General Investment Management – MSCI ACWI Adaptive Capped ESG Index Fund</b>	Pooled equity fund	Number of meeting at which the manager was eligible to vote: 2,333 Number of resolutions on which manager was eligible to vote: 28,717 Percentage of eligible votes cast: 99.83% Percentage of votes with management: 79.89% Percentage of votes against management: 19.22% Percentage of votes abstained from: 0.89% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 73.37% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 12.56%

\*Voting statistics are out of total eligible votes and are sourced from the investment managers LGIM and TWIM.

The following table outlines a number of significant votes cast by the Scheme's investment managers on the Trustee's behalf. The commentary set out below is based on detail in the relevant manager's reports on the votes cast.

The table includes the investment managers' commentary on their rationale and their views of the implications of their votes.

Significant votes cast	Coverage in portfolio
<p><b><u>Company: ConocoPhillips</u></b>  <b><u>Meeting date: 11 May 2021</u></b>  <b>Shareholder resolution:</b> Resolution 1g Elect Director Ryan M. Lance  <b>How the manager voted:</b> Against  <b>Rationale:</b> LGIM has a longstanding policy advocating for the separations of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences.  Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for the boards on the separation of the roles of chair and CEO (available on our website), and have reinforced our position on leadership structure across our stewardship activities – e.g. via individual corporate engagements and director conferences.  <b>Outcome:</b> 94.1% of shareholders supported the resolution.  <b>Implications:</b> LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>	<p>LGIM – MSCI Adaptive Capped ESG Index Fund – GBP Currency Hedged</p>
<p><b><u>Company: NVIDIA Corporation</u></b>  <b><u>Meeting date: 3 June 2021</u></b>  <b>Management resolution:</b> Resolution 1g Elect Director Harvey C. Jones  <b>How the manager voted:</b> Against  <b>Rationale:</b> LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&amp;P500 and the S&amp;P/TSX where there is less than 25% of women on the board.  In 2021, we expanded the scope of our vote policy to include all companies in the S&amp;P500 and the S&amp;P/TSX. Our expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.  <b>Outcome:</b> 94.2% of shareholders supported the resolution.  <b>Implications:</b> LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>	<p>LGIM – MSCI Adaptive Capped ESG Index Fund – GBP Currency Hedged</p>
<p><b><u>Company: Cigna Corporation</u></b>  <b><u>Meeting date: 28 April 2021</u></b>  <b>Management resolution:</b> Resolution 6 Report on Gender Pay Gap  <b>How the manager voted:</b> For  <b>Rationale:</b> Transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manager on their behalf.  For 10 years, we have been using our position to to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, we expect all companies in which we invest globally to have at least one female on their board. Please note we have stronger requirements in the UK, North American, European and Japanese markets, in line with our engagement in these markets. For futher details, please refer to our vote policies on our website.  <b>Outcome:</b> 32.3% of shareholders supported the resolution.</p>	<p>LGIM – MSCI Adaptive Capped ESG Index Fund – GBP Currency Hedged</p>

<p><b>Implications:</b> LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>	
<p><b>Company:</b> <u>Amazon</u>  <b>Meeting date:</b> <u>20 May 2021</u>  <b>Management resolution:</b> Report on the impacts of plastic packaging  <b>How the manager voted:</b> For  <b>Rationale:</b> Promotes transparency around environmental issues  <b>Outcome:</b> Rejected  <b>Implications:</b> Continue to consider proposals whether from management or shareholders which enhance transparency around environmental issues.</p>	<p>TWIM Partners Fund</p>
<p><b>Company:</b> <u>Facebook, Inc.</u>  <b>Meeting date:</b> <u>26 May 2021</u>  <b>Management resolution:</b> Amend Non-Employee Director Compensation Policy  <b>How the manager voted:</b> Against  <b>Rationale:</b> A vote AGAINST this proposal was warranted. The company's rationale falls short of the level of specificity necessary for shareholders to assess the reasonableness of the amendment. Further, the company does not provide sufficient details on the potential scope of the associated costs; there is no disclosure of an annual limit or even an estimation on the potential costs of the personal security fees and related tax gross-ups. Further, the proxy does not disclose whether an independent party assessed the need for the unusual director benefit.  <b>Outcome:</b> Approved  <b>Implications:</b> None to report</p>	<p>TWIM Partners Fund</p>
<p><b>Company:</b> <u>Visa</u>  <b>Meeting date:</b> <u>25 January 2021</u>  <b>Management resolutions:</b> Provide right to act by written consent  <b>How the manager voted:</b> For  <b>Rationale:</b> Enhances the rights of the company's shareholders by affording them an additional means of acting in between annual meetings  <b>Outcome:</b> Rejected  <b>Implications:</b>  Continue to consider proposals whether from management or shareholders which enhance shareholder rights.</p>	<p>TWIM Partners Fund</p>

## Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that TWIM and LGIM are acting in the Scheme members' best interests and are effective stewards of the Scheme's assets.

The Trustee will continue to monitor the remaining investment managers' stewardship practices on an ongoing basis.

## Appendix 1: TWIM's voting policy

**TWIM's voting policy is provided below**

### **“Policy on consulting clients:**

As the Partners Fund is a multi-asset fund investing solely in external managers, voting rights are exercised via the underlying managers. TWIM does however implement a further level of oversight and engagement at the Fund level. TWIM have a vast global manager research team who specifically rate the underlying managers on their approach to integration of ESG factors, of which voting (where applicable) is a critical component. TWIM engage with managers where their practice is not appropriate and will, if required, terminate the relationship with the underlying manager if necessary.

In the context of the Towers Watson Global Equity Focus Fund, the global active equity mandate Partners is invested in, we have engaged with EOS at Federated Hermes to provide voting recommendation to enhance engagement and achieve responsible ownership. Where they choose to vote differently to the EOS recommendation, the underlying managers' rationale must be noted and if required, can be discussed further with EOS. However, the underlying managers hold the ultimate voting authority.

### **Process for deciding how to vote:**

As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. We expect all of our underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. We have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of our clients. In addition, EOS is expanding the remit of engagement activity they perform on our behalf beyond public equity markets, which will enhance stewardship practices over time.

### **Use of proxy voting services:**

For the TW PF, the equity exposure comes from four main areas

- Our global equity portfolio where EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers in this portfolio use ISS's 'ProxyExchange' electronic voting platform to facilitate voting.
- Our China equity manager uses Glass Lewis service where they have created a bespoke policy
- Our emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting
- Our long-short equity managers use ISS to provide corporate research and to facilitate the voting process.”

## Appendix 2: LGIM's voting policy

### **LGIM's voting policy is provided below**

#### **“Policy on consulting clients:**

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.

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 we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

#### **Process for deciding how to vote:**

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.

#### **Use of proxy voting services:**

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 retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our 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.”