

MAG (STAL) Pension Scheme

**Annual Implementation
Statement – Scheme year
ending 30 September 2022**

Adopted by the Trustee on 21 March 2023

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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”) to 30 September 2022.

The purpose of this statement is to set out:

- Details of how, and the extent to which, in the opinion of the trustees, the Scheme’s engagement and voting policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

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 constructions 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 2021 to 30 September 2022. 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 below, and the Trustee recognises that an investee company's long-term financial success is influenced by a range of factors including appropriate management of environmental, social, ethical and corporate governance issue; therefore, it is in member's best interests that the voting and engagement activities conducted in relation to these investee companies is monitored and managed:

- 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.

As outlined in the SIP, the Trustee recognises the UK Stewardship Code 2020 and monitors the Scheme's investment managers' adherence to the Code. TWIM and LGIM are both signatories to the code. Their latest statements of compliance 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	Voting activity
Legal and General Investment Manager – MSCI ACWI Adaptive Capped ESG Index Fund	Number of meetings at which the manager was eligible to vote: 3,261 Number of resolutions on which manager was eligible to vote: 37,507 Percentage of eligible votes cast: 99.79% Percentage of votes with management: 77.72% Percentage of votes against management: 20.84% Percentage of votes abstained from: 1.44% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 70.93% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 13.05%

Towers Watson Investment Management Limited – Partners Fund	Number of meetings at which the manager was eligible to vote: 1,664
	Number of resolutions on which manager was eligible to vote: 23,028
	Percentage of eligible votes cast: 93.9%
	Percentage of votes with management: 86.4%
	Percentage of votes against management: 13.2%
	Percentage of votes abstained from: 0.4%
	Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 64.8%
Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 4.5%	

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

The following table outlines several significant votes cast by the Scheme's investment managers on the Trustee's behalf. The Trustees consider diversity and climate change to be important factors in terms of stewardship, and accordingly have shown these below as 'most important' votes in this area across their equity holdings. 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>Company: UBS Group AG</p> <p>Meeting date: 6 April 2022</p> <p>Size of fund's holding as a % of portfolio: 0.18%</p> <p>Management resolution: Resolution 3 - Approve Climate Action Plan</p> <p>How the manager voted: Against</p> <p>Communication of voting against management ahead of vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</p> <p>Rationale: Climate change: A vote AGAINST this proposal is applied following internal discussion. While we positively note the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, we have concerns with the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.</p> <p>Outcome: 77.7% of shareholders supported the resolution</p> <p>Implications: 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>Rationale for classifying as significant: LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>Legal and General Investment Manager – MSCI ACWI Adaptive Capped ESG Index Fund</p>

<p><u>Company:</u> Exxon Mobil Corporation</p> <p><u>Meeting date:</u> 25 May 2022</p> <p><u>Size of fund's holding as a % of portfolio:</u> 0.12%</p> <p><u>Management resolution:</u> Resolution 6 - Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal</p> <p><u>How the manager voted:</u> For</p> <p><u>Communication of voting against management ahead of vote:</u> LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</p> <p><u>Rationale:</u> A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.</p> <p><u>Outcome:</u> 27.1% of shareholders supported the resolution</p> <p><u>Implications:</u> 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><u>Rationale for classifying as significant:</u> LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>Legal and General Investment Manager – MSCI ACWI Adaptive Capped ESG Index Fund – GMP Currency Hedged</p>
<p><u>Company:</u> BP Plc</p> <p><u>Meeting date:</u> 12 May 2022</p> <p><u>Size of fund's holding as a % of portfolio:</u> 0.10%</p> <p><u>Management resolution:</u> Resolution 3 - Approve Net Zero - From Ambition to Action Report</p> <p><u>How the manager voted:</u> For</p> <p><u>Communication of voting against management ahead of vote:</u> Voted in line with management</p> <p><u>Rationale:</u> Climate change: A vote FOR is applied, though not without reservations. While we note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is our view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.</p> <p><u>Outcome:</u> 88.5% of shareholders supported the resolution</p> <p><u>Implications:</u> 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><u>Rationale for classifying as significant:</u> LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>Legal and General Investment Manager – MSCI ACWI Adaptive Capped ESG Index Fund – GMP Currency Hedged</p>
<p><u>Company:</u> Microsoft Corporation</p> <p><u>Meeting date:</u> 30 November 2021</p> <p><u>Size of fund's holding as a % of portfolio:</u> 0.99%</p> <p><u>Management resolution:</u> Report on Effectiveness of Workplace Sexual Harassment Policies</p>	<p>Towers Watson Investment Managers – Partners Fund</p>

<p><u>How the manager voted:</u> For</p> <p><u>Communication of voting against management ahead of vote:</u> No</p> <p><u>Rationale:</u> For shareholder resolution, against management recommendation. Shareholder proposal promotes appropriate accountability or incentivisation, and proposal promotes transparency.</p> <p><u>Outcome:</u> Pass</p> <p><u>Implications:</u> None to report</p> <p><u>Rationale for classifying as significant:</u> Votes against mgmt.</p>	
<p><u>Company:</u> Cigna corp</p> <p><u>Meeting date:</u> 27 April 2022</p> <p><u>Size of fund's holding as a % of portfolio:</u> 0.36%</p> <p><u>Management resolution:</u> Report on gender pay gap</p> <p><u>How the manager voted:</u> For</p> <p><u>Communication of voting against management ahead of vote:</u> Yes</p> <p><u>Rationale:</u> We support disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.</p> <p><u>Outcome:</u> Fail</p> <p><u>Implications:</u> Diversity and equity are important for the success of any company in the knowledge economy. We advocate companies provide enhanced disclosure related to diversity and pay equity so that shareholders can assess company's policies.</p> <p><u>Rationale for classifying as significant:</u> Diversity, equity and inclusion are important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders' interests.</p>	<p>Towers Watson Investment Managers – 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 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.

As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The underlying portfolios are held in the name of the Fund and therefore the underlying managers do not know the names of the clients invested in the Fund.

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 with clients before voting:

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.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of

interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.”