

Aalberts Surface Technologies Heat Ltd Group Pension Scheme

Implementation Statement

1. Introduction

The Trustees are required to make publicly available online a statement (“the Implementation Statement”) covering the Aalberts Surface Technologies Heat Limited Group Pension Scheme (the “Scheme”) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The Trustees have incorporated their expectations on stewardship and Environmental, Social, and Corporate Governance (ESG) into the SIP to ensure that it outlines the extent to which these factors are incorporated into the Scheme's investment philosophy and processes.

There is no specific ethical steer and the Trustees do not wish to adopt an exclusionary policy. However, the Trustees do require their Investment Managers to have integrated ESG factors as part of their investment analysis and decision-making process.

The SIP was amended once during the year ending 31 December 2023. The Trustees carried out an investment market review in 2023. As a result of the review, the Trustees appointed Dean Wetton Advisory Ltd (“DWA”) to act as Investment Advisers and LGT Wealth Management UK LLP (“LGT”) as Delegated Investment Manager in July 2023.

Following the appointment, DWA advised the Trustees on amendments to the SIP to reflect these decisions and there were no material changes to the SIP relating to ESG factors, corporate governance, and voting.

This SIP came into force from October 2023.

This Statement covers the Scheme year from 1 January 2023 to 31 December 2023 (the “Scheme Year”). It sets out:

- How the Trustees’ policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustees during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

2. How the Trustees’ policies on exercising voting rights and engagements have been followed over the Scheme Year

The Scheme’s SIP sets out the Trustees’ policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Trustees are ultimately responsible for the investment of the Scheme assets.

The Trustees set the investment strategy and general investment policy with advice from DWA but have delegated the day-to-day investment of the Scheme’s assets, within pre-defined constraints to the delegated investment manager, LGT.

LGT can appoint other investment managers in respect of underlying investments (referred to as “Underlying Investment Managers”).

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Underlying Investment Managers where the Scheme’s investments are pooled with other investors.

Therefore, direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those Underlying Investment Managers. The Delegated Investment Manager appoints those Underlying Investment Managers. A copy of the SIP has been provided to the Delegated Investment Manager and the Delegated Investment Manager is expected to adopt that approach to corporate governance and to other financially material considerations when providing Delegated Investment Management services and/or in selecting Underlying Investment Managers.

The Trustees require that the Delegated Investment Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change when choosing new or monitoring existing Underlying Managers.

The Trustees believe it is appropriate to delegate such decisions to achieve an integrated and joined up approach to ESG factors, voting and engagement. The Trustees have therefore not sought to influence voting behaviours and do not intend to change its position currently.

On behalf of the Trustees, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Delegated Investment Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers.

The Delegated Investment Manager provides the Trustees with an annual report of its overall Stewardship activities and the Trustees are satisfied with the Delegated Investment Manager’s activity in this area.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustees believe that they have acted in accordance with the Statement of Investment Principles over the Scheme Year.

3. Voting and Engagement Policy

Under the Trustees' Delegated Investment mandate managed by LGT, LGT appoint underlying asset managers to achieve an overall target return. The Trustees delegate the monitoring of ESG integration and stewardship quality to LGT and LGT have confirmed that all the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

Direct holdings

LGT systematically votes on equity holdings held in client portfolios and have partnered with one of the world's leading proxy advisor companies Institutional Shareholder Services (ISS) to deliver on this.

Its relationship with ISS enables it to conduct voting on all approved companies held in its discretionary investment portfolios across LGT Wealth Management.

LGT subscribes to the ISS Sustainable Policy, ensuring that each vote highlights the importance of the sustainable agenda with the respective company.

Whilst ISS provides LGT with voting recommendations, it does not always cast our vote in line with this – it may hold a different view on behalf of clients or see a potentially negative outcome. All voting decisions are reviewed and approved by the relevant investment committee responsible for the underlying security. Any decision that deviates from our approved ISS sustainability policy is referred to our Sustainable Governance Committee for approval.

At present, the Scheme does not hold any direct equity investments.

Underlying Investment Managers

As part of its fund selection process, LGT monitors the Underlying Investment Managers on a routine basis.

The process requires annual reporting through its due diligence questionnaire. This covers general environmental, social and governance (ESG) activities, climate pledges, approaches to biodiversity, human rights, diversity and inclusion, as well as distinct impact metrics.

The results and progress seen by companies in these areas helps LGT to formulate its expectations and where it can work with third party managers to improve their approach.

4. Voting and Engagement Summary

Overall, the Trustees are of the opinion the stewardship carried out on behalf of the Scheme is in line with the Scheme's expectations and policies.

Hedging portfolio

In relation to the liability hedging mandate, the Trustees noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

Growth portfolio

Overall, there are c. 20 Underlying Investment Managers used by the Delegated Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely the Vanguard S&P 500 UCITS ETF (IE00B3XXRP09) focused on those votes relating to key issues such as executive remuneration, diversity and inclusion, climate change and internal governance. Within other asset classes there are no voting rights.

Voting statistics (applicable to the scheme's reporting period)	Response
How many meetings were you eligible to vote at?	501
How many resolutions were you eligible to vote on?	7,171
What % of resolutions did you vote on for which you were eligible?	99% 7,155 proposals
Of the resolutions on which you voted, what % did you vote with management?	99% 7,090 proposals*
Of the resolutions on which you voted, what % did you vote against management?	0% 65 proposals*
Of the resolutions on which you voted, what % did you abstain from voting?	0% 2 proposals*
In what % of meetings, for which you did vote, did you vote at least once against management?	7% 40 meetings
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Vanguard Investment Stewardship utilizes the Institutional Shareholder Services (ISS) ProxyExchange platform for the execution of our votes. We have developed a robust custom policy that ISS has implemented on our behalf along with rigorous controls and oversight mechanisms to ensure the accurate application of the Vanguard policy.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0% 0 proposals

** Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*

Most significant votes carried out by the Underlying Manager

Company name	Date of Vote (MM/DD/YYYY)	Summary of the resolution	How you voted	Rationale for the voting decision	Outcome of the vote
TransDigm Group Incorporated	3/9/2023	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Concerns with one or more of the following: pay and performance alignment, magnitude (quantum) of pay, disclosure, and/or pay structure.	Pass
Starbucks Corporation	3/23/2023	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights	Against	Addresses material risk, but company has already taken sufficient actions and/or has related actions pending to address proponent request.	Pass
Wells Fargo & Company	4/25/2023	Report on Prevention of Workplace Harassment and Discrimination	For	Determined the proposal addressed material risk(s), a gap in oversight or disclosure, and supported long-term investment returns. Proposal not determined to be overly prescriptive.	Pass
Charter Communications, Inc.	4/25/2023	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Concern regarding compensation/remuneration.	Pass
Charter Communications, Inc.	4/25/2023	Report on Lobbying Payments and Policy	For	Determined the proposal addressed material risk(s), a gap in oversight or disclosure, and supported long-term investment returns. Proposal not determined to be overly prescriptive.	Fail
Berkshire Hathaway Inc.	5/6/2023	Report on Physical and Transitional Climate-Related Risks and Opportunities	For	Determined the proposal addressed material risk(s), a gap in oversight or disclosure, and supported long-term investment returns. Proposal not determined to be overly prescriptive.	Fail
Berkshire Hathaway Inc.	5/6/2023	Report on Audit Committee's Oversight on Climate Risks and Disclosures	For	Determined the proposal addressed material risk(s), a gap in oversight or disclosure, and supported long-term investment returns. Proposal not determined to be overly prescriptive.	Fail
Coterra Energy Inc.	5/4/2023	Report on Reliability of Methane Emission Disclosures	For	Determined the proposal addressed material risk(s), a gap in oversight or disclosure, and supported long-term investment returns. Proposal not determined to be overly prescriptive.	Pass
United Parcel Service, Inc.	5/4/2023	Report on Effectiveness of Diversity, Equity, and Inclusion Efforts	Against	Determined the proposal addressed material risk(s) and company had taken sufficient actions and/or had related actions	Fail

				pending to address the proponent request.	
Simon Property Group, Inc.	5/4/2023	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Concern regarding compensation/remuneration.	Fail
American International Group, Inc.	5/10/2023	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Concern regarding compensation/remuneration.	Fail
Charles River Laboratories International, Inc.	5/9/2023	Elect Director Martin W. Mackay	Against	Concern regarding extent of other commitments.	Pass
Molson Coors Beverage Company	5/17/2023	Elect Director H. Sanford Riley	Withhold	Concern regarding key committee independence.	Pass
Netflix, Inc.	6/1/2023	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Concern regarding compensation/remuneration.	Fail

The Trustees are satisfied that the voting and engagement activity undertaken by the Delegated Investment Manager and Underlying Investment Managers are in line with the Trustees' policies contained in the SIP and that no changes are required to these policies at this time. The Trustees will keep the position under review.