

Aeromet International Plc Retirement Benefits Scheme (“the Scheme”) | Implementation Statement | November 2023

Implementation Statement

Aeromet International (DC with GMP Underpin)

Scheme year ended 5 April 2023

This statement sets out the Trustee’s approach and implementation of the ESG policies set out in the Statement of Investment Principles over the year.

How voting and engagement policies have been followed

The Trustee considers their voting and engagement policies to have been met in the following ways:

At the Scheme year-end, the Scheme’s investment manager was Royal London Asset Management (RLAM).

The Trustee regularly considers the performance of the funds and any significant developments. Over the Scheme year the Trustee has reviewed the ESG and Stewardship considerations in relation to their investment manager.

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

The Trustee receives reports on engagement and voting annually from their investment manager and review this annually to ensure alignment with their own policies.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund investment manager are in alignment with the Scheme’s ESG and Stewardship policies.

Further details regarding the investment manager are provided below:

Voting procedures:

Royal London Asset Management

Engagement with investee companies on strategic, governance, environmental and social risk management issues forms a core part of RLAM’s stewardship responsibilities. It is an activity that many of their clients have come to expect from them as a long-term asset manager. Engagement may also be used as a tool to help RLAM select and monitor companies in their funds and to improve their behaviour and performance over time.

Royal London Asset Management (RLAM) is dedicated to encouraging long-term wealth creation within the companies they invest for the benefit of both the company and its shareholders. Corporate governance is a pre-requisite for creating and protecting shareholder value and plays a role in ensuring companies are in good standing with their stakeholders. In keeping with their commitment to the UK Stewardship Code, they believe it is the responsibility of institutional investors to act as owners of the companies in which they invest and will seek to maximise value from its investments by using its influence as a shareholder. RLAM do this through engagement and

the use of voting rights to promote good corporate governance in investee companies. RLAM regards voting in a responsible, informed and consistent manner to be a fiduciary duty of institutional investors.

In developing and applying their engagement and voting policy and guidelines, RLAM will take account of the provisions of the newly updated UK Corporate Governance Code and of institutional guidelines, such as those of the Investment Association (IA).

In applying this policy, RLAM will apply discretion and have due regard for the particular circumstances of an investee company, whilst vigorously pursuing the interests of their customers and clients. RLAM recognises that best practice can and often does develop ahead of code provisions.

RLAM lend stock on a number of their funds. They have an automated stock recall process in place and will make all reasonable efforts to recall stock in advance of a vote, ensuring that they are exercising their full voting power at a meeting.

To ensure consistency, all voting decisions on their actively held stocks are implemented centrally by their Responsible Investment Team. The Responsible Investment Team interpret their policy and implement their voting decisions using a third-party web platform. The team is a dedicated resource for implementing their stewardship and responsible investment activity by supporting front office teams to integrate material ESG research into the investment process. All decisions are made in consultation and collaboration with their fund managers, who are notified of all final voting decisions made for stocks held within their funds. Fund managers have the opportunity to raise questions or challenge votes before they are dispatched. Contentious votes are escalated to their Head of Equities or Chief Investment Officer who makes the final voting decision.

RLAM and ESG

RLAM's approach to responsible investment is multi-layered. They have a Responsible Investment (RI) team, made up of specialists in assessing ESG factors and engaging with companies to try to encourage better management. This team also looks at broader policies such as climate change. However, all of their investment teams look at these factors. RLAM manage funds that have explicit ESG-related elements, but every fund they manage now incorporates this approach to some degree. That said, responsible investment is not just about fund management. RLAM engage with the companies they invest in to help them improve their ESG credentials, and it is important that RLAM do the same.

Transparency

RLAM considers that transparency is a necessary feature of responsible shareholding. RLAM disclose details of all votes on their website (www.rlam-voting.co.uk/voting/) giving brief explanations for instances where they have not supported management.

For many of their actively held stocks, RLAM will write to companies to explain their voting rationale in cases where they abstain or vote against management. This provides an opportunity for dialogue with companies prior to a general meeting.

Attendance at AGMs and other meetings

RLAM believes that voting at company meetings forms an important part of constructive engagement process with management. These votes will usually be cast by proxy, but RLAM may consider attending the AGM as an opportunity to engage with the directors on a matter of interest, or where the board has not been responsive to engagement.

Approach to voting

RLAM's UK and Global Proxy Voting Policies are publicly disclosed on their website. In applying these policies, RLAM use discretion and have due regard for the particular circumstances of the company whilst vigorously pursuing the interests of their customers and clients. RLAM do not automatically support the board but will analyse each resolution to determine if the company is acting in accordance with their policy and with local best practice. In making their voting decisions, they aim to be consistent from year to year. If they have previously abstained or voted against a resolution, they will change their vote to support management only where they feel the company has made a significant change in its policy or approach. RLAM will also consider any engagement they have had with the company in the year and reflect their thoughts on the progress of this engagement in their vote and their public and private comments to the company.

RLAM Voting Policies are reviewed on an annual basis and signed off by the RLAM Investment Committee. In updating their Voting Policies, they will incorporate new and emerging best practice, feedback from clients, changes in local governance or stewardship codes, and their own evolution in thinking.

Every year they update their voting policies to align with emerging best practice, market reviews, targets and developments in their thinking and approach. Their full voting policies for 2023 are available on their website but below are the most substantive changes for the forthcoming voting season.

Principle adverse risks (PAIs)

RLAM's responsible investment policy describes their approach to identifying and prioritising PAIs. Their responsible investment policy is reviewed and approved on an annual basis by the Investment Committee. The latest version of the responsible investment policy was published in December 2022. Responsible investment is embedded within the business and how they manage their funds. At the entity level, RLAM identify and prioritise PAIs in two ways: through engagement and ESG Integration. As part of their overall approach to ESG integration, they consider PAIs at an entity level and within many of their Article 8 and 9 funds. Where they consider PAIs at product level, their approach is described in detail within fund-level annexes.

Climate

As an extension of their previous voting position they will consider voting against the re-election of the Chair of the Board or other relevant director where either following engagement there has not been progress on the disclosure of a climate transition plan or there are serious persistent concerns with the company's approach to climate.

RLAM is committed to achieving net zero by 2050 across their investment portfolio.

Diversity

Diversity is a standing item in their policies, and they have formalised their approach in additional areas and markets; they will consider opposing the re-election of the relevant board member if there are no women on the board in all markets, with specific thresholds set for each market in line with local practices. In line with the recommendations of the Parker Review in the UK, RLAM expects companies to make progress on the appointment of individuals from ethnically diverse backgrounds and for US companies to comply with the recruitment expectations set out under the 'Rooney Rule'.

Restricted stock

RLAM has reviewed and updated their approach to restricted stock plans as they become more common in the UK. They continue to expect companies to discount the value of an award and to put robust checks and balances in place. RLAM is open to these proposals provided there is a strong rationale.

RLAM is responsible for the voting and engagement activity within the pooled investment funds so do not consult clients before each vote. However, their voting policies are reviewed annually (and available online) and during this process they consider a wide range of factors, including client feedback, when establishing their policy.

They vote on all eligible securities.

Proxy voting services

The Responsible Investment team is responsible for executing equity proxy votes on behalf of RLAM according to RLAM Standard Operating Procedures. RLAM use Glass Lewis' Viewpoint as a voting platform. All ballots are sent to Viewpoint by RLAM custodians or their clients' custodians. For each agenda item, Glass Lewis applies RLAM's custom voting template which suggests a voting recommendation that reflects RLAM's high level Voting Policies and best practice standards. The RI team then conducts its own review of every vote, considering any unique circumstances facing the company, any engagement RLAM have undertaken with the board, and any discussions with the fund managers. The vote is then approved by a member of the RI team prior to being dispatched.

Process for determining the "most significant" votes

RLAM regards every vote as significant for the purposes of SRD II, as detailed in their stewardship report.

RLAM will seek to support the board of a company that acts in the long-term interests of shareholders and stakeholders. In general, RLAM will vote as follows:

FOR

- A resolution that is consistent with these guidelines, accords with best practice, and is in shareholders' best long-term interests.

ABSTAIN

- A resolution that falls short of best practice, but the issue is not sufficiently material to oppose management; or
- A matter is material, although not fundamental, and RLAM has not previously raised the matter with the company; or

- As a means of warning a company or drawing attention to an issue. RLAM may choose to abstain on an issue before voting against the board in an effort to raise concerns with the board.

AGAINST

- A resolution is inconsistent with these guidelines, does not accord with best practice, or is not in shareholders' long-term interests; or
- A resolution on which RLAM have previously abstained where they have reason to believe concerns have not been addressed by the board.

RLAM prefers to send a clear message to the board and therefore will minimise the use of abstentions where possible. They do however view the use of abstentions as beneficial in signalling their initial concerns with a company and starting a dialogue with the board to seek further improvements.

Detailed voting guidelines can be located <https://www.rlam.co.uk/intermediaries/our-capabilities/responsible-investment/governance-and-voting/>

Voting Data

The voting data collated for the Scheme is given over the year to 31 March 2023.

Both the DC and GMP Underpin funds have not undertaken a strategy change over the year and no disinvestments have been made unless these are from the individual member funds as and when members opt to retire.

Manager	Royal London Asset Management
Fund name(s)	RLP UK Equity Fund
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.
Percentage of resolutions the manager voted on	RLAM UK Equity Fund – 1 year to 31 March 2023 RLAM were eligible to vote on 1,444 resolutions and RLAM participated in all of these.
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	RLAM UK Equity Fund – 1 year to 31 March 2023 – 97.0%
Percentage of resolutions the manager abstained from	RLAM UK Equity Fund – 1 year to 31 March 2023 – 2.0%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	RLAM UK Equity Fund – 1 year to 31 March 2023 – 3.0%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	RLAM UK Equity Fund – 1 year to 31 March 2023 RLAM voted differently to their internal policy recommendations on 3.0% of the total votes.

Source: RLAM PLSA response

With regards to the other funds, there are no voting rights attached to the other assets held by the Scheme, which include cash and government bonds, therefore no voting information is shown above for these assets.

Significant votes

As detailed above, RLAM list all votes as a significant vote for the purpose of SRD II. Voting examples can be found in their RLAM Stewardship Report. Furthermore, RLAM also vote at a firm level rather than a strategy level meaning that all investments and voting practises for individual companies will be pooled together for all the various approaches that hold the individual company.

RLAM regards every vote as significant for the purposes of SRD II3, and as such they publicly disclose the outcome of all votes on their website in a searchable online database, alongside the rationales for when they vote against management. The following is a high-level overview of key votes and general voting behaviour:

Manager	Key voting action over the year
Royal London Asset Management	<ul style="list-style-type: none"> • Executive remuneration • Diversity • Controversies • Environmental issues • Health and Safety concerns • Shareholder proposals

How the SIP has been followed over the year

In relation to the Scheme, in the Trustee’s opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Scheme offers a suitable default strategy for members.
- The Scheme offers a range of self-select fund options, which give members a reasonable choice from which to select their own strategy.
- The Trustee regularly reviews the ESG capabilities of the manager as part of the monitoring process.
- The Trustee has made no new manager appointments over the year that affect voting or engagement.

Summary

Based on the information received, the Trustee believes that the investment managers have acted in accordance with the Scheme’s stewardship policies. The Trustee is supportive of the key voting action taken by the applicable fund manager over the period to encourage positive governance changes in the company in which the managers hold shares.

The Trustee continues to work with the investment manager to provide additional information in the future, including where indicated above, in order to enhance their ability to assess the investment managers’ actions.

Prepared by the Trustee of the Aeromet International Plc Retirement Benefits Scheme

November 2023

Glossary of terms

Active management

Actively managed funds aim to produce returns in excess of their benchmark, although there's no guarantee that they will do so. They do this by investing only in those companies they think will perform the best. This requires a greater level of manual intervention so costs are usually higher than for passively managed funds.

Annuity

This is an option at retirement, the client can choose to purchase an annuity to the value of their pension pot which then pays a guaranteed regular income payment for life, or for a defined period.

Asset classes

Types of investment. Includes equities, often split by global region, bonds, commercial property and cash.

Bonds

Loans or securities which can be issued by governments, companies or local authorities to raise money. They entitle the holder to regular interest and repayment when the loan matures.

Cash

Cash held in a fund can include a mix of sterling cash, securities of deposit, short-term bonds, and money market instruments. These investments are generally considered to be less risky than other types of investment, but also have lower growth potential, and returns may be outstripped by rising inflation. In a low interest rate environment cash funds may generate a negative return after charges.

Commercial property

Such as offices, retail and industrial property, or shares in property companies. Returns come from a mix of rental income and, hopefully, rising property values. Managers of commercial property investments may at times delay payment to investors if market conditions make it hard to sell properties at a fair price.

Default

A default fund is a fund that members of a pension scheme are invested in if they don't choose a fund when they join their scheme.

Equities

Also known as company shares, which mean you're buying part ownership of that company. Returns come from a mixture of dividends and capital growth if the company is successful. Equities have traditionally offered better long-term growth potential than other asset classes, but they are also more likely to fall significantly in value.