

# **Aeromet International Plc Retirement Benefits Scheme (“the Scheme”) | Implementation Statement | December 2020**

## **Implementation Statement**

### **Aeromet International (DC with GMP Underpin)**

#### **Scheme year ended 5 April 2020**

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**

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. 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.

### **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/](http://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 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 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 2020.

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 RLP Managed Fund RLP Fixed Interest Fund RLP Deposit Fund RLP With Profits RLP WP Unitised 1 RLP Crest Growth Plan RLP Crest Secure 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 2020  Royal London voted <b>1,424</b> resolutions at <b>78</b> meetings.  Overall they voted 'For' <b>95.4%</b> of resolutions, and 'Take no Action' <b>nil*</b> .  On pay specifically, they voted 'For' <b>72.9%</b> , 'Against' <b>15.0%</b> , 'Abstained' on <b>12.1%</b> , and 'Take no Action' on <b>nil*</b> .

	<p>(*Take no Action – Royal London endeavour to vote all meetings other than in markets where voting would result in share-blocking)</p> <p>RLP Managed Fund – to be confirmed  RLP Fixed Interest Fund – to be confirmed  RLP Deposit Fund – to be confirmed  RLP With Profits – to be confirmed  RLP WP Unitised 1 – to be confirmed  RLP Crest Growth Fund – to be confirmed  RLP Crest Secure Fund – to be confirmed</p>
Percentage of resolutions the manager abstained from*	<p>RLAM UK Equity Fund – 1 year to 31 March 2020 - <b>1.7%</b></p> <p>RLP Managed Fund – to be confirmed  RLP Fixed Interest Fund – to be confirmed  RLP Deposit Fund – to be confirmed  RLP With Profits – to be confirmed  RLP WP Unitised 1 – to be confirmed  RLP Crest Growth Fund – to be confirmed  RLP Crest Secure Fund – to be confirmed</p>
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	<p>RLAM UK Equity Fund – 1 year to 31 March 2020 - <b>2.9%</b></p> <p>RLP Managed Fund – to be confirmed  RLP Fixed Interest Fund – to be confirmed  RLP Deposit Fund – to be confirmed  RLP With Profits – to be confirmed  RLP WP Unitised 1 – to be confirmed  RLP Crest Growth Fund – to be confirmed  RLP Crest Secure Fund – to be confirmed</p>
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	<p>RLAM UK Equity Fund – 1 year to 31 March 2020</p> <p>Royal London voted different to their internal policy recommendations <b>5.3%</b> of the time.</p> <p>RLP Managed Fund – to be confirmed  RLP Fixed Interest Fund – to be confirmed  RLP Deposit Fund – to be confirmed  RLP With Profits – to be confirmed  RLP WP Unitised 1 – to be confirmed  RLP Crest Growth Fund – to be confirmed  RLP Crest Secure Fund – to be confirmed</p>

\*as a percentage of possible votes

Source: Royal London Asset Management (RLAM)

Please note the Trustee has requested information on the above funds marked above as “to be confirmed”. Royal London are, as at the date of this statement, in the process of providing this information. Once it has been provided, the Trustee will assess voting information on the funds and establish to what extent the funds’ voting practices align with those specified in this statement.

## **Significant votes**

For the first year of implementation statements we have delegated to the investment manager(s) to define what a “significant vote” is.

Please note that at the date of producing this document, RLAM had not provided the significant votes information for the various funds. Upon receipt, the Trustee will review this information and raise any questions with the investment manager.

## **Fund level engagement**

The investment manager may engage with their investee companies on behalf of the Trustee.

Please note that at the date of producing this document, RLAM had not provided the level of engagement activity undertaken by the manager during the year for the relevant funds. Upon receipt, the Trustee will review this information and raise any questions with the investment manager.

## **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 for those benefits held in the DC section, which give members a reasonable choice from which to select their own strategy.
- The Trustee regularly reviews the ESG capabilities of the managers 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 managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

The Trustee are working with the investment managers 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**

**December 2020**

## **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.