

Magnet Group Pension Scheme

Annual Engagement Policy Implementation Statement – October 2021

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 October 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- To make sure that the Trustee can meet their obligations to the beneficiaries of the Scheme, principally on an ongoing, i.e. "Technical Provisions" basis.
- To operate funding and investment strategies in a coordinated approach. Variation in the funding position (in particular improvements) may be reflected in the level of risk in the investment strategy.
- To pay due regard to the Scheme Sponsor's interests on the size and incidence of employers' contribution payments and the impact of the Scheme on the Scheme Sponsor's accounts.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The policy was updated in September 2020.

In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by their investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. This training was provided in 11 July 2019. The Trustee keeps their policies under regular review.

The Trustee is satisfied that their engagement policy was followed during the year. The following summarises how the Trustee's engagement and voting policies were followed and implemented during the year accordingly:

Engagement

- An investment performance report was reviewed by the Trustee on a quarterly basis – this included ratings (both general and specific ESG) from the investment advisers. The investment performance reports included how each investment manager was delivering against their specific mandates. Through their investment consultant, the Trustee reviewed the mandates of Apollo Management (“Apollo”), MFS Investment Management (“MFS”), Royal London Asset Management (“RLAM”), Ruffer LLP (“Ruffer”) and Mercer Limited (“Mercer”) (together the “Investment Managers”) in relation to ESG factor including climate change.
- The Trustee also undertook an annual ESG rating benchmarking exercise in June 2021. This exercise assessed the average ESG rating of the Scheme's holdings and compared the rating of each fund to other funds in the same asset class universe. From the latest review, the Trustee concluded that the Scheme's managers have an above average ESG rating compared to the wider universe.
- The Trustee also received regular investment manager presentations in the last year where the investment managers provided further detail on how they integrate ESG into their investment processes.
- The majority of the Scheme's Investment Managers (c.93% of assets under management as at 31 October 2021) confirmed that they are signatories of the current UK Stewardship Code and have submitted the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020. However, one of the Scheme's managers confirmed that while it supports the principles of the code, it is viewed that it is not relevant to the assets and asset classes they manage hence is not a signatory. The Trustee will continue to engage with this manager on the UK Stewardship code and its relevance.
- The Trustee also received details of relevant engagement activity for the year from the Scheme's investment managers, as part of regular reporting and presentations.

Voting Activity

The Trustee has delegated their voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund not the Trustee, who do not own underlying assets directly). The Trustee does not use the direct services of a proxy voter and over the prior 12 months the Trustee has not actively challenged their managers on voting activity.

Investment managers are expected to provide voting summary reporting on at least an annual basis. Each manager has been asked to confirm key voting activity on behalf of the trustees (or

in relation to the pooled fund(s) in which the Trustee invests), over the year to 31 October 2021, and have responded as follows:

MFS – Global Equity

- MFS used Institutional Shareholder Services, Inc. (“ISS”) to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. MFS also received research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc.. MFS analyzes all proxy voting issues within the context of the internally-developed MFS Proxy Policies. MFS has due diligence procedures in place to help ensure that the research they receive from their proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms.
- There have been 88 votable meetings over the year. In these meetings, there were a total of 1,444 votable items;
- In around 93% of these votes for proposal, MFS has indicated their support to the companies’ managements, while voting against around 6% of the proposals.
- MFS does not, at this time, define a vote significant to particular strategies. However, for the purposes of disclosure, “significant votes” may have the following characteristics – the vote is linked to certain engagement priorities, the vote considered engagement with the issuer, and the vote relates to certain thematic or industry trends.
- Significant Vote Example

Company: Oracle Corporation

Summary of the resolution: Voted FOR the proposal to require Independent Board Chair

Rationale for the voting decision: MFS voted against Management. Given the size and complexity of the business, MFS felt that the company would benefit from more independent board oversight in the form of an appointed independent chair.

Implication of the outcome: MFS believes this level of support represents serious shareholder concern. MFS hopes to see a robust response from the issuer, as well as engagement efforts to address shareholders' concerns.

Apollo – Multi-Asset Credit

- As debt holders, Apollo does not have equity holder voting rights in general. The voting information for the very small proportion of assets in the portfolio that are able to vote is not available.

Ruffer – Absolute Return

- Ruffer uses ISS for proxy voting research in line with internal voting guidelines in order to assist analysts in their assessment of resolutions and identification of contentious issues. Ruffer does not delegate or outsource stewardship activities when deciding how to vote on their clients' behalf.
- There have been 93 votable meetings over the year. In these meetings, there were a total of 1,235 votable items;
- Ruffer has participated in the vote for 1,220 of the 1,235 votable items (i.e. 99% of the votable items). In around 91% of these votes for proposals, Ruffer has indicated their support to the companies' managements, while voting against 6% of the proposals.
- Ruffer has defined 'significant votes' as those that they think will be of particular interest to their clients. In most cases, these are when they form part of continuing engagement with the company and/or they have held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and their internal voting guidelines.
- Significant Vote Example

Company: Walt Disney

Summary of the resolution: Governance – lobbying and succession planning

Rationale for the voting decision: On the topic of lobbying and the company's memberships of trade associations, Ruffer voted for a shareholder resolution in 2018, 2019 and 2020 requesting additional disclosure. While the company has responded to these resolutions by increasing its disclosure, this only includes trade associations based in the US. As the framework has been established, and the analysis already conducted for these associations, Ruffer does not think it is onerous for the company to expand this to cover all trade associations of which it is a member. Ruffer clearly stated to the company that they were disappointed that it has not expanded its analysis and that they would support the shareholder resolution at the 2021 AGM.

Another significant concern for Ruffer was succession planning at the board level. As they did in 2020, they debated whether to support the re-election of Susan Arnold given her long tenure on the board. This is of particular importance to Ruffer when there is not an independent Chair of the Board. Ruffer decided to support her re-election to provide continuity in a year where they expect changes to the board.

Implications of the outcome: Ruffer will continue to vote on shareholder resolutions that improve transparency and enhanced disclosure.

RLAM – Fixed Interest Non-Gilts and Currency Hedging

- As bond holders in the corporate bond mandate, RLAM does not have equity holder voting rights.

- Within the passive currency hedging mandate, RLAM does not have equity holder voting rights as well.

Mercer – Liability Driven Investment (“LDI”)

- The Mercer LDI funds consist of government issued debt rate and inflation exposures. As such, voting activity is not applicable.

The Trustee has not included information in relation to the Scheme’s AVC arrangements as these are a small proportion of the Scheme’s total assets.