

Precision Valve UK Limited Retirement Benefits Scheme (“the Scheme”) | Implementation Statement | November 2021

Implementation Statement

Precision Valve (DC with GMP Underpin Section)

Scheme year ended 5 April 2021

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 managers were Royal London Asset Management (RLAM) and AEGON Investments Limited (AIL).

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 managers.

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 managers 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 managers are in alignment with the Fund’s ESG and Stewardship policies.

Further details regarding the 2 investment managers are provided below:

Voting procedures:

AEGON INVESTMENTS LIMITED (AIL)

AEGON Investments Limited (AIL) are an investment manager of Open Ended Investment Companies (OEICs). These OEICs are funds of funds, which means AIL invest only in other funds, also known as collective investment schemes.

A voting right is the right of shareholders to vote on matters of corporate policy, for example the appointment of a board director or significant changes to a company’s operations. As AIL only manage funds of funds, they do not invest directly in securities e.g. equities or bonds. This means AIL

can only exercise voting rights in relation to the underlying funds their OEICs invest in; they don't have voting rights relating to the companies that the underlying funds are in turn invested in.

Therefore, ALL's voting policy has two distinct sections:

1. Voting on a material change relating to an underlying fund we have invested in.
2. Consideration of the voting policy of the fund manager of an underlying fund we have invested in or are considering investing in.

ALL voting on material changes to a fund

- Material changes (also known as corporate actions) may include fund mergers and closures, or changes to a fund's objective, price, risk appetite or name for example.
- ALL will, where they consider it is in best the interests of investors in their OEICs, discuss with the fund manager(s) of the underlying funds we invest in, issues relating to corporate actions.
- They will fully consider the implications for investors in their OEICs of corporate actions relating to the underlying funds they invest in.
- They will give instructions for voting, or abstaining from voting, on all corporate actions relating to the underlying funds they invest in, in the best interests of investors in their OEICs.
- They will disclose our voting activity on request.

ALL's consideration of fund managers' voting policies

- Before they invest in an underlying fund they will understand the fund manager's stewardship and voting policies to make sure they comply with their expectations as stated below.
- They will also monitor a fund manager's stewardship and voting policies on an ongoing basis.
- They expect that fund managers of an underlying fund they invest in, will:

I. Carry out sufficient due diligence before investing in a company, and monitor companies after investing in them by having processes which considers:

- a) The ongoing governance controls within the company;
- b) Public information concerning the company, for example company research and annual report and accounts;
- c) Attending broker meetings as well as meetings with the company.

II. Where it is in the interests of the underlying fund, discuss or hold meetings, either on its own or where appropriate with other shareholders, with members of the company's board.

III. Give instructions for voting or effecting, exercising or abstaining from voting on, all voting rights attached to the companies invested in by the collective investment scheme. These voting decisions should be made in the best interests of the collective investment scheme at that time.

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. In the past year, their RI team grew to become a team of nine governance and responsible investment experts. 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 publically 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 our 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. Our full voting policies for 2021 are available on their website but below are the most substantive changes for the forthcoming voting season.

Principle adverse risks

This year RLAM have elected not to detail our approach to specific ESG or sustainability risks, but have included our approach to what we consider to be their principal adverse risks in line with SFDR regulations 4. These are the most significant risks or impacts which they believe their investments may have; be they environmental, social or governance related and are tied to their engagement themes. RLAM have detailed the stages of escalation should there be a material concern, beginning with supporting shareholder resolutions through to opposing board directors and/or report and accounts.

Climate

As an extension of their previous voting position they will consider voting against the re-election of the Chair of the Board at their most highly emitting companies where following engagement there has not been progress on the disclosure of a climate transition plan.

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 Australia, Canada and the US. In line with the recommendations of the Parker Review in the UK for 2021, RLAM will be expecting companies to make progress on the appointment of individuals from ethnically diverse backgrounds during the year.

Restricted stock

RLAM have reviewed and updated their approach to restricted stock plans as they become more common in the UK. They will continue to expect companies to discount the value of an award and to put robust checks and balances in place, but they are sensitive to the current financial situation and uncertainty facing many companies. As such RLAM are more open to these proposals provided there is a strong rationale.

What is your policy on consulting with clients before voting?

RLAM are 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 will consider a wide range of factors, including client feedback, when establishing their policy.

Please provide an overview of your process for deciding how to vote?

RLAM vote on all eligible securities. For a detailed look through at their approach to voting and engagement, this can be found in their new stewardship report here:

<https://www.rlam.co.uk/globalassets/content/capabilities-solutions/responsible-investment/stewardship-and-ri-report/77491-stewardship-report-2021-web3.pdf>

How, if at all, have you made use of 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 our voting platform. All ballots are sent to Viewpoint by RLAM custodians or our 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.

What process did you follow for determining the "most significant" votes?

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

Did any of your "most significant" votes breach the client's voting policy (where relevant)?

N/A

Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings?

- 1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
- 2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings
- 3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding
- 4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
- 5) There are differences between the stewardship policies of managers and their clients

Response: No

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

Royal London and AEGON

The voting data collated for the Scheme is given over the year to 31 March 2021.

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	AEGON Investments Limited (DC Section only)
Fund name(s)	RLP UK Equity Fund	Universal Balanced Collection
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.	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 2021 Royal London voted 28,992 resolutions at 2419 meetings. Overall they voted 'For' 99.6% of resolutions.	TBC
Of the resolutions on which you voted, what % did you vote with management?	RLAM UK Equity Fund – 1 year to 31 March 2021 - 86.1%	TBC
Of the resolutions on which you voted, what % did you vote against management? 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 2021 - 12.3%	TBC
Of the resolutions on which you voted, what % did you abstain from voting?	RLAM UK Equity Fund – 1 year to 31 March 2021 - 1.2%	TBC
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	RLAM UK Equity Fund – 1 year to 31 March 2021 – 9.70%	

Source: Royal London Asset Management (RLAM) PSLA response and AEGON Investments Limited (AIL)

Please note the Trustee has requested information on the above funds marked in the table as “TBC”, however it is worth noting that the trustee has since discharged the AEGON policies by a Section 32 Buy Out policy.

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 votes 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 publically disclose the outcome of all votes on our website in a searchable online database, alongside the rationales for when we vote against management. The following is a high level overview of key votes and our general voting behaviour. We have highlighted those we believe may be of greater interest to our clients due to the subject matter or materiality to the company, and provide an illustration of how we approach a variety of issues when voting. Examples include, but are not exclusively, votes that deal with controversies, diversity, environmental issues, health and safety concerns, shareholder proposals or remuneration.

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
AEGON Investments Limited	<ul style="list-style-type: none"> • TBC • TBC • TBC

Please note that at the date of producing this document, AIL had not provided the significant votes information for the various funds. However, it is worth noting that the trustee has since discharged the AEGON policies by a Section 32 Buy Out policy.

There are no voting rights attached to the other assets held by the Fund and therefore no key voting information is shown above for these assets.

How the SIP has been followed over the year

In relation to the DC Section of 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. A further review is due to be carried out during the next Scheme year.
- 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 initially considered the ESG capabilities of each of the Scheme's investment managers and have agreed that the managers' policies are reasonable. No action was taken as a result of this exercise.
- 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 Precision Valve UK Limited Retirement Benefits Scheme

November 2021

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.