

Gleason Cutting Tools Limited Superannuation and Life Assurance Fund Implementation Statement for the year ended 31 December 2022

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee of the Gleason Cutting Tools Limited Superannuation and Life Assurance Fund (“the Scheme”) has followed the policies documented in the Statement of Investment Principles (“SIP”) during the year ended 31 December 2022 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

The Trustee’s policy in relation to ESG and voting issues is documented in the Scheme’s SIP dated March 2022. During the reporting year, the Scheme’s SIP was reviewed and amended in March 2022 to reflect the transition of the defined contribution section of the Scheme to a MasterTrust.

The previous version of the SIP had been in existence since April 2021 meaning both versions of the SIP are relevant during different parts of the reporting year.

The Trustee’s ESG and voting policy

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s investment managers. The Trustee requires the Scheme’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest. In pooled funds the Trustee has limited influence over the managers’ investment practices, particularly in relation to those pooled funds which are designed to track an index where the choice of the index dictates the assets held by the manager.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments. Furthermore, the Trustee reverts to the investment manager’s approach when determining vote significance unless stated otherwise.

The Trustee will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

Investment related activity

Manager selections

One of the main ways in which the ESG policy is expressed is via manager selection: the Trustee seeks advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

CMA Objectives

Objectives were put in place for XPS Investment Limited, in line with the 10 June 2019 CMA Order which required trustees to set objectives for existing and new investment consultant appointments from 10 December 2019, in order to receive investment advice after that date. These have been reviewed in line with updated guidance.

Ongoing governance

The Trustee generally meets on a quarterly basis and receive quarterly monitoring reports to assess the ongoing performance of the funds. With the assistance from XPS, the Trustee monitors the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this statement. The Trustee also receives monthly valuations and quarterly investment performance from their platform provider, Mobius Life.

Adherence to the SIP

During the reporting year the Trustee is satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme is directly invested in equities through the LGIM UK Equity Index Fund, LGIM World Equity Index Fund and form part of the multi-asset strategies for the Schroders Diversified Growth Fund and LGIM Multi-Asset Fund. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

Schroders Investment Managed Limited

Investment Manager Client Consultation Policy on voting

The corporate governance analysts input votes based on their proprietary research in line with Schroders' house voting policy and do not take voting instruction from their clients. Schroders report transparently on their voting decisions with rationales on their website.

Investment Manager process to determine how to vote

As active owners, Schroders recognise their responsibility to make considered use of voting rights. They therefore vote on all resolutions at all AGMs/EGMs globally unless they are restricted from doing so (e.g. as a result of share blocking).

They aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with their published ESG policy. The overriding principle governing their voting is to act in the best interests of their clients. Where proposals are not consistent with the interests of shareholders and their clients, they are not afraid to vote against resolutions. They may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

Schroders evaluate voting resolutions arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Their Corporate Governance specialists assess each proposal, applying their voting policy and guidelines (as outlined in their Environmental, Social and Governance Policy) to each agenda item. In applying the policy, they consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Schroders' specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Their own research is also integral to their process; this will be conducted by both their financial and Sustainable Investment analysts. For contentious issues, Schroders' Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders. In 2021, they voted on approximately 99% of total resolutions, and instructed a vote against management at 44% of meetings. In total, they voted on over 7,300 meetings.

Institutional Shareholder Services (ISS) act as their one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with their own bespoke guidelines, in addition, they receive ISS's Benchmark research. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. *For their smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for them, with only a few resolutions referred to Schroders for a final decision*.

ISS automatically votes all their holdings of which they own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in their voting decisions as well as creating a more formalised approach to their voting process.

How does this manager determine what constitutes a 'significant' vote?

Schroders believe that all votes against management should be classified as a significant vote. However, they believe resolutions related to certain topics carry particular significance. They therefore rank the significance of their votes against management, firstly by management say on climate votes, secondly environmental and social shareholder resolutions, thirdly any shareholder resolutions and finally by the size of their holding.

Does the manager utilise a Proxy Voting System?

Institutional Shareholder Services (ISS) act as their one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with their own bespoke guidelines, in addition, they receive ISS's Benchmark research. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. *For their smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for them, with only a few resolutions referred to Schroders for a final decision*.

Voting information

Schroders Diversified Growth Fund

The manager voted on 95.7% of resolutions of which they were eligible out of 15,081 eligible votes.

Top 5 Significant Votes during the period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Costco Wholesale Corporation	Report on Charitable Contributions	For	The resolution did not pass

While the company provides some disclosure on its top philanthropic organisations, the scope of this disclosure is unclear, and its transparency is still limited. Therefore Schroders consider support for the proposal is warranted.			
Metro Inc.	Increase Employee Participation in Board Decision-Making	For	The resolution did not pass
It is not clear how much influence the unions currently in place have when it comes to employee participation. This proposal only asks to evaluate other possible options to increase participation. As such, Schroders are supportive.			
Hormel Foods Corporation	Report on Public Health Impacts of Antibiotic Use in Product Supply Chain	For	The resolution did not pass
Whilst Schroders acknowledge the Company's efforts and current practices, they believe there are gaps in the policy as it does not ban the use of antibiotics outright. Schroders believe the Company should ban the use of all antibiotics for growth promotion and for disease prevention; as well as the use of medically important antibiotics.			
Tyson Foods, Inc.	Report on Sustainable Packaging Efforts	For	The resolution did not pass
Schroders are supportive of this proposal as the company's current reporting on sustainable packaging falls short of their expectations. They believe that setting targets and disclosing progress on plastic packaging would be beneficial to the company's wider stakeholders.			
Apple Inc.	Approve Revision of Transparency Reports	For	The resolution did not pass
Additional information regarding the company's policies and processes regarding freedom of expression and access to information would help shareholders gauge the company's management of related reputational risk.			

Schroders categorise a vote as significant where they have voted against the recommendation of management. This resulted in a large number of significant votes. XPS narrowed the votes down to 5 by using Schroders' guidance to prioritise the votes in rank order, firstly by votes related to environmental, social, or governance factors. The resulting votes are shown in the above table.

Legal and General Investment Management

Investment Manager Client Consultation Policy on voting
<p>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients. Their voting policies are reviewed annually and take into account feedback from their clients.</p> <p>Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.</p>
Investment Manager process to determine how to vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

How does this manager determine what constitutes a 'significant' vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure they continue to help their clients in fulfilling their reporting obligations. They also believe public transparency of their vote activity is critical for their clients and interested parties to hold them to account.

For many years, LGIM has regularly produced case studies and / or summaries of their vote positions to clients for what they deemed were 'material votes'. They are evolving their approach in line with the new regulation and are committed to provide their clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and / or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. LGIM also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on their website at:

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

Does the manager utilise a Proxy Voting System?

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Voting information

LGIM UK Equity Index Fund

The manager voted on 100% of resolutions of which they were eligible out of 10,854 eligible votes.

Top 5 Significant Votes during the period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Barclays Plc	Resolution 26 - Approve Barclays' Climate Strategy, Targets and Progress 2022	Against the resolution	80.8% of shareholders supported the resolution
While LGIM positively notes the Company's use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology, they have concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. A vote against is therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.			
BP Plc	Resolution 3 - Approve Net Zero - From Ambition to Action Report	For the resolution	88.5% of shareholders supported the resolution
While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened.			

Nevertheless, they remain committed to continuing LGIM's constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.			
Rio Tinto Plc	Resolution 17 - Approve Climate Action Plan	Against the resolution	84.3% of shareholders supported the resolution
LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while they acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.			
Glencore Plc	Resolution 13 - Approve Climate Progress Report	Against the resolution	76.3% of shareholders supported the resolution
LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While they note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, they remain concerned over the company's activities around thermal coal and lobbying, which they deem inconsistent with the required ambition to stay within the 1.5°C trajectory.			
Anglo American Plc	Resolution 19 - Approve Climate Change Report	Against the resolution	94.2% of shareholders supported the resolution
LGIM recognise the substantial progress the company has made in climate reporting, primarily on transparency and the expansion of GHG emissions reduction targets (including the ambition to work to decarbonise its value chain), as well as the importance of the company's products in enabling the low-carbon transition. However, LGIM remain concerned that the company's interim operational emissions targets (to 2030) are insufficiently ambitious to be considered aligned with the 1.5C trajectory.			

Voting information

LGIM World Equity Index Fund

The manager voted on 99.8% of resolutions of which they were eligible out of 38,295 eligible votes.

Top 5 Significant Votes during the period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Exxon Mobil Corporation	Resolution 6 - Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal	For the resolution	27.1% of shareholders supported the resolution
A vote for is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure			

of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.			
Amazon.com, Inc.	Resolution 1f - Elect Director Daniel P. Huttenlocher	Against the resolution	93.3% of shareholders supported the resolution
The director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.			
Alphabet Inc.	Resolution 7 - Report on Physical Risks of Climate Change	For the resolution	17.7% of shareholders supported the resolution
LGIM expects companies to be taking sufficient action on the key issue of climate change.			
Meta Platforms, Inc.	Resolution 5 - Require Independent Board Chair	For the resolution	16.7% of shareholders supported the resolution
LGIM expects companies to establish the role of independent Board Chair.			
NVIDIA Corporation	Resolution 1g - Elect Director Harvey C. Jones	Against the resolution	83.8% of shareholders supported the resolution
LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.			

Voting information

LGIM Multi-Asset Fund

The manager voted on 99.8% of resolutions of which they were eligible out of 98,805 eligible votes.

Top 5 Significant Votes during the period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Royal Dutch Shell Plc	Resolution 20 - Approve the Shell Energy Transition Progress Update	Against the resolution	79.9% of shareholders supported the resolution
LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, they remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.			

Apple Inc.	Resolution 9 - Report on Civil Rights Audit	For the resolution	53.6% of shareholders supported the resolution
LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.			
Prologis, Inc.	Resolution 1a - Elect Director Hamid R. Moghadam	Against the resolution	92.9% of shareholders supported the resolution
LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.			
Union Pacific Corporation	Resolution 1e - Elect Director Lance M. Fritz	Against the resolution	91.7% of shareholders supported the resolution
LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.			
NextEra Energy, Inc.	Resolution 1j - Elect Director Rudy E. Schupp	Against the resolution	85.9% of shareholders supported the resolution
LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. They are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.			

Signed: _____, Chair of Trustees

Date: _____