

Implementation Statement, covering 1 July 2019 to 30 June 2020

The Trustees of the NMB-Minebea UK Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction – Last review of voting and engagement policies

The Trustees’ voting and engagement policies in the SIP were reviewed and updated during the Scheme year in September 2019 to reflect new requirements issued by the Department of Work and Pensions. In particular:

- The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attached to investments, protect and enhance the long-term value of investments.
- The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.
- The Trustees do not monitor or engage directly with issuers or other holders of debt or equity.
- The Trustees expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers’ general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries.
- The Trustees have limited influence over managers’ investment practices on ESG factors where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

As part of this SIP update, the Employer was consulted and confirmed it was comfortable with the changes.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

In June 2020, the Trustees reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2020.

The highest score available is 4 (strong) and the lowest is 1 (weak). This year, all the Scheme’s managers scored a 2 or higher, and therefore the Trustees were satisfied with the results of the review and no further action was taken.

3. Description of voting behaviour during the year

All of the Trustees’ holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights as stated in their SIP. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the year.

In this section we have sought to include voting data on the Scheme’s funds that hold equities as follows:

- Legal & General World Emerging Markets Equity Fund
- Legal & General World Equity Index (MSCI) Fund
- Legal & General World Equity Index (MSCI) – GBP Hedged Fund

- Aberdeen Standard Investment GARS Fund
- Schroders Life Diversified Growth Fund (DGF).

The Trustees have sought to obtain the relevant voting data for Sections 3.2 and 3.3, from all of the investment managers listed above. However they were unable to include voting data for the Schroders Life DGF as the manager was unable to provide data at a fund level. The Trustees will continue to work with their advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

In addition to the above, the Trustees contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. This included the Legal & General LPI Property Fund, the Legal & General Corporate Bonds Index Fund and a range of Legal & General LDI and Cash Funds. LGIM confirmed that there were no voting opportunities in relation to these funds over the period in question and, as such, these funds have been omitted from the Statement.

3.1 Description of the voting processes

Legal and General Investment Management ("LGIM")

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

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 LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration in developing LGIM's voting and engagement policies. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the voting decision process, which aims to provide consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The use of ISS' recommendations are to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its 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 LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Aberdeen Standard Investments ("ASI")

ASI has in place a process by which the proxy voting team collects general meeting notifications and research and allocates the voting decision for the company in question to an analyst. The analyst selected will be either a member of the ESG Investment team or the analyst responsible for the sector in which the company sits. Analysis is then based on ASI's knowledge of the company and also makes use of the custom voting policy provided by ISS. The product of this analysis will be a final voting decision instructed through ISS and applied to all funds for which ASI have been appointed to vote.

ASI employ ISS as a service provider as it enables ASI to deliver the voting decisions efficiently. ISS provides voting recommendations based on ASI's customised voting policy which reflects ASI's guidelines and expectations. ASI considers ISS' recommendations and those based on its custom policy before making a voting decision. In addition to the ISS service for UK company general meetings, ASI also makes use of research provided by the Institutional Voting Information Service (IVIS) which uses the guidelines of the Investment Association as the basis of its research.

Schroders Investment Management ("Schroders")

Schroders evaluates voting issues arising at investee companies and votes on them in line with what it perceives to be the best interests of clients. Schroders utilises company engagement, internal research, investor views and governance expertise to form the basis of its voting decisions.

Schroders receives research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however, this is only one component that feeds into its voting decisions. In addition to its own policies, Schroders is also informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

Schroders' own research is also integral to its final voting decision which is conducted by both financial and ESG analysts. For contentious issues, Schroders' Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	LGIM World Emerging Markets Equity	LGIM World Equity Index (MSCI)	LGIM World Equity Index (MSCI) – GBP Hedged	ASI GARS
Total size of fund at end of reporting period	£8,680m	£1,601m	£778m	£1,855m
Value of Scheme assets at end of reporting period (£ / % of total assets)	£2.6m	£4.4m	£4.0m	£8.9m
Number of holdings at end of reporting period	1,822	1,622	1,622	Not provided
Number of meetings eligible to vote	1,408	1,666	1,666	198
Number of resolutions eligible to vote	12,560	22,563	22,563	2,984
% of resolutions voted	99.7%	98.8%	98.8%	98.4%
Of the resolutions on which voted, % voted with management	81.1%	81.0%	81.0%	86.5%
Of the resolutions on which voted, % voted against management	17.7%	18.8%	18.8%	13.3%
Of the resolutions on which voted, % abstained from voting	1.2%	0.2%	0.2%	0.2%
Of the meetings in which the manager voted, % with at least one vote against management	55.8%	77.4%	77.4%	66.2%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	7.6%	13.6%	13.6%	5.0%

3.3 Most significant votes over the year

Commentary on the most significant votes over the period is set out below, including those that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor; and
- have a high media profile or are seen as being controversial.

LGIM World Equity Index Fund and LGIM World Equity Index Fund - Hedged

Barclays, UK, May 2020:

LGIM voted to approve Barclays' resolution on its commitment to tackling climate change and long-term plans to do so. This resolution was approved by the majority of shareholders.

This vote was deemed significant as since the beginning of the year there has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM. LGIM's focus will now be to help Barclays work out the detail of their plans and targets. LGIM plans to continue to work closely with the Barclays board and management team to develop their plans and will continue to liaise with other large investors to ensure a consistency of messaging and to continue to drive positive change.

Amazon, USA, May 2020:

LGIM voted to support 10 out of the 12 shareholder proposals which were related to disclosures to encourage a better understanding of Amazon's processes as well as governance structures that benefit long-term shareholders.

LGIM has engaged with Amazon on multiple occasions over the last 12 months. The main topics of engagement include:

- separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings;
- details about the data transparency committed to in their 'Climate Pledge'; and
- establishment of workplace culture that improves employee health and safety.

Despite shareholders not giving majority support to most of the shareholder proposals, the sheer number of proposals and the wider focus on these continues to dominate the shareholder landscape for Amazon. LGIM's engagement with the company continues to push for increased disclosures.

This vote was deemed significant as this was the largest number of shareholder proposals on the table of any major US company. Furthermore, there was substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19 – and multiple state treasurers have spoken out on the issues at hand.

Exxonmobil, USA, May 2020:

LGIM voted against the proposal to re-elect Director Darren W. Woods. In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that it would be removing ExxonMobil from the Future World fund range and that it would also be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, LGIM also announced that it would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying.

93.2% of shareholders supported the re-election of combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying disclosures. Despite this, LGIM believes that this vote sends an important signal and it will continue to engage with, and push for change at, the company.

This vote was deemed significant as it was part of LGIM's 'Climate Impact Pledge' escalation sanction.

LGIM World Emerging Markets Equity Fund

LGIM has confirmed there were no votes which it would deem as significant in relation to this fund over the year to 30 June 2020.

Aberdeen Standard Investment GARS

ASI views all votes as significant and vote all shares globally for which it has voting authority, therefore ASI was unable to provide commentary on any particular significant votes over the period.