# Maritime Retirement Benefits Plan

## Implementation Statement

**Barnett Waddingham LLP**

July 2021

# How voting and engagement policies have been followed

The Plan invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Plan's fund managers.

The Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their May 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.

The Trustee receives and reviews voting information and engagement policies from both the asset managers and our investment advisors, which is reviewed to ensure alignment with their own policies.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund manager is in alignment with the Plan's stewardship policies.

# Key voting priorities and use of proxy voting advisors

The table below provides a summary of the proxy voting advisors used by each of the investment managers used by the Plan together with information on their key voting priorities.

| Manager | Key voting priorities | Does the manager use a proxy voting advisor? |
|---|---|---|
| Baillie Gifford Multi Asset Growth Fund | Promotion of long-term value creation, constructive and purposeful boards, long-term focused remuneration, fair treatment of stakeholders and sustainability. | Baillie Gifford use ISS and Glass Lewis for proxy voting services. |
| LGIM Global Equities (50:50) Fund | Focus on improving corporate management of environmental, social and governance issues, including board remuneration and diversity. | A proxy voting advisor Institutional Shareholder Services (ISS) is used by LGIM, but LGIM actively direct a significant proportion of clients' voting rights. |
| Pyrford Global Total Return Fund | Pyrford focus on the following key issues when casting votes: social responsibility, integrity of boards, executive compensation, takeover protection, shareholder rights and independence of auditors. | Pyrford use ISS as a proxy voting advisor, but portfolio managers have the final authority on voting. |

# Voting undertaken on behalf of the Trustee

Voting only applies to equities held in the portfolio. The Plan's equity investments within the DB section are held through pooled funds, and as such the investment managers of these funds vote on behalf of the Trustees.

It follows that both Legal & General's Over 5 years Index-Linked Gilts Index Fund and AAA-AA-A Corporate Bond All Stocks Index Fund do not participate in voting activities on behalf of the holdings in the funds. As a result, this section only relates to the Baillie Gifford Multi Asset Growth, LGIM Global Equities (50:50) Fund and Pyrford Global Total Return (which holds equities amongst other asset classes).

The table below provides a summary of the voting activity undertaken over the year to 31 March 2021, together with information on any key voting priorities.

| Manager | Baillie Gifford | LGIM | Pyrford |
|---|---|---|---|
| **Fund name** | Multi Asset Growth Fund | LGIM Global Equities (50:50) | Global Total Return Fund |
| **Structure** | Pooled | Pooled | Pooled |
| **Ability to influence voting behaviour of manager** | The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour. | | |
| **Number of company meetings the manager was eligible to vote at over the year** | 69 | 3641 | 62 |
| **Number of resolutions the manager was eligible to vote on over the year** | 749 | 44,680 | 913 |
| **Percentage of resolutions the manager voted on** | 97.7% | 99.9% | 86.1% |
| **Percentage of resolutions the manager abstained from** | 1.5% | 0.2% | 0% |
| **Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on** | 91.5% | 83.6% | 95.0% |
| **Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on** | 7.0% | 16.3% | 5.0% |
| **Percentage of resolutions voted contrary to the recommendation of the proxy advisor** | n/a | 0.4% | 3.10% |

*Source: Fund managers*

The proportion of resolutions that were voted on or abstained from may not sum to 100%. This can be due to how managers or local jurisdictions define abstentions or classify formal voting or abstentions as opposed to not returning a voting form or nominating a proxy.

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

# Significant votes

The Trustees have delegated to the investment manager to define what a “significant vote” is. A summary of the data they have provided is set out below. All information has therefore been provided by the invest manager and represents the views of the investment manager.

**Baillie Gifford, Multi Asset Growth Fund**

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 |
|---|---|---|---|---|
| **Company name** | Covivio SA | Gecina | Merlin Properties Socimi S.A. | Ado Properties S.A. |
| **Date of vote** | 22 April 2020 | 23 April 2020 | 16 June 2020 | 29 September 2020 |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 0.45% | 0.34% | 0.21% | 0.39% |
| **Summary of the resolution** | Remuneration Report and Policy. | Employee Equity Plan, Renumeration Policy and Report. | Remuneration Report | Amendment of Share Capital |
| **How the manager voted** | Against | Against | Against | Against |

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 |
|---|---|---|---|---|
| **If the vote was against management, did the manager communicate their intent to the company ahead of the vote?** | Yes | Yes | Yes | No |
| **Rationale for the voting decision** | Baillie Gifford opposed five resolutions regarding the in-flight and proposed long-term incentive scheme because it could lead to rewarding under-performance. | Baillie Gifford opposed three resolutions relating to remuneration as they do not believe there is sufficient alignment between pay and performance. | Baillie Gifford opposed the resolution to approve the Remuneration Report because of concerns with quantum. | Baillie Gifford opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders. |
| **Outcome of the vote** | Pass | Pass | Pass | Pass |
| **Implications of the outcome** | Following the AGM in 2020, Baillie Gifford informed the company of their voting decision and advised that they expect more stretching performance criteria to apply to long term incentives going forward. They are yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action. | Baillie Gifford have been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. They are yet to see improvements in the remuneration plan however continue to engage with the company to advise on areas for improvement. | Baillie Gifford have been opposing remuneration at the company since 2017 and engaging with the company on the issue. In 2020, they saw significant improvements in the company's remuneration policy which is a positive outcome. | Baillie Gifford opposed the request to increase authorised capital which would permit share issuance without pre-emptive rights, given shares are currently trading at a high discount to NAV and there is no NAV commitment. They have since sold out of the stock. |
| **Criteria on which the vote is considered "significant"** | This resolution is significant because they opposed remuneration. | This resolution is significant because they opposed remuneration. | This resolution is significant because they opposed the company reports. | This resolution is significant because it received greater than 20% opposition. |

## LGIM, Global Equities (50:50)

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 | Vote 5 |
|---|---|---|---|---|---|
| **Company name** | Qantas Airways Limited | Whitehaven Coal | International Consolidated Airlines Group | Lagardère | Imperial Brands plc |
| **Date of vote** | 23 October 2020 | 22 November 2020 | 7 September 2020 | 5 May 2020 | 3 February 2021 |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | Data not available | | | | |
| **Summary of the resolution** | Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan. Resolution 4: Approve Remuneration Report. | Resolution 6: Approve capital protection. Shareholders were asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. | Resolution 8: Approve Remuneration Report. | Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments). | Resolutions 2: Approve Remuneration Report. Resolution 3: Approve Remuneration Policy. |
| **How the manager voted** | LGIM voted against resolution 3 and supported resolution 4. | LGIM voted for the resolution. | LGIM voted against the resolution. | LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardere SB directors (resolutions B,C,E,F,G). | LGIM voted against both resolutions. |
| **If the vote was against management, did the manager communicate their intent to the company ahead of the vote?** | Given LGIM's engagement, their Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee. | LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. | | | |

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 | Vote 5 |
|---|---|---|---|---|---|
| **Rationale for the voting decision** | In light of the impact of the COVID crisis the company has raised significant capital to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. LGIM engaged with the company to express their concerns and understand the company's views. LGIM supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, their concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. LGIM voted against resolution 3 to signal their concerns. | LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase out of coal will be key to reaching these global targets. | LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience. LGIM have been privately closely engaging with the company, including on the succession of the CEO and the board chair, who were long-tenured. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair, an independent non-executive director, was also recently appointed by the board. | Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardère, where they spoke to the incumbent SB Chair. | The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. The company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove themselves beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, LGIM would expect companies to adopt general best practice standards. Prior to the AGM, LGIM engaged with the company outlining what their concerns over the remuneration structure were. |

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 | Vote 5 |
|---|---|---|---|---|---|
| **Outcome of the vote** | About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in their view. | The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm. As the company is on LGIM's Future World Protection List of exclusions, many of LGIM's ESG-focused funds and select exchange-traded funds were not invested in the company. | 28.4% of shareholders opposed the remuneration report. | Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. | Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support. |
| **Implications of the outcome** | LGIM will continue their engagement with the company. | LGIM will continue to monitor this company. | LGIM will continue to engage closely with the renewed board. | LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of Supervisory Board under review. | LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies. |

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 | Vote 5 |
|---|---|---|---|---|---|
| **Criteria on which the vote is considered "significant"** | It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package. | The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism. | LGIM considers this vote significant as it illustrates the importance for investors of monitoring their investee companies' responses to the COVID crisis. | LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board. | LGIM are concerned over the ratcheting up of executive pay, and they believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set. |

## Pyrford, Global Total Return Fund

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 | Vote 5 |
|---|---|---|---|---|---|
| **Company name** | Sanofi | Assa Abloy AB | British American Tobacco plc | Woodside Petroleum Ltd. | GlaxoSmithKline Plc |
| **Date of vote** | 28 April 2020 | 29 April 2020 | 30 April 2020 | 30 April 2020 | 06 May 2020 |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 0.56% | 0.26% | 2.10% | 1.30% | 2.32% |
| **Summary of the resolution** | Directors Related. Approve Compensation of Olivier Brandicourt, CEO Until Aug. 31, 2019 | Approve Restricted Stock Plan -Approve Performance Share Matching Plan LTI 2020 | Advisory Vote to Ratify Named Executive Officers' Compensation - Approve Remuneration Report | Report on Climate Change-Approve Paris Goals and Targets | Approve remuneration policy |
| **How the manager voted** | Against Management | Against Management | Against Management | Against Management | Against Management |

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 | Vote 5 |
|---|---|---|---|---|---|
| **If the vote was against management, did the manager communicate their intent to the company ahead of the vote?** | Whilst Pyrford's Portfolio managers do on occasion contact management prior to a vote, usually we will vote without prior dialog with management. Engagement with management will usually follow after a vote if escalation is deemed necessary from management. | | | | |
| **Rationale for the voting decision** | The deemed ten-year service under the defined-benefit pension scheme granted to new CEO upon his arrival at the company was a practice lying well below market standards in France with insufficient information provided for shareholders to enable assessment of the reasonableness of the award. | The proposed annual performance period falls below the guidelines and the performance targets of the plan had not been disclosed. | - CEO Jack Bowles was granted a 9.5% salary increase for FY2020.<br>- From FY2020, the new CFO's LTIP award has been increased to 400% of salary, up from 350% of salary previously (albeit on a lower salary rate than his predecessor). | The company's current level of disclosure regarding its capital expenditure strategy and GHG emissions did not appear to align with Paris goals under reasonable assumptions. | The incumbent US-based Executive Director's pension arrangements subsist at a level significantly higher than that of the wider workforce, and there was no disclosed plan towards alignment over time |
| **Outcome of the vote** | Not approved. Given the rejection of the 19th resolution and pursuant to the provisions of the second paragraph of Article L. 225-100 III of the French Commercial Code, the variable compensation of Olivier Brandicourt for the period January 1, 2019 to August 31, 2019, set at 1,161,000 euros (amount apportioned on a time basis) after review of the level of attainment of the performance conditions by the Board of Directors in its March 4, 2020 meeting, will not be paid. | Approved. | Approved. However, a vote of 38.06% was received against this resolution. The Company's Remuneration Committee has discussed the feedback received in detail and the matters raised by shareholders will remain under active consideration for future years. | Resolution withdrawn as was conditional on passing item another item (4a). | Approved. |

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 | Vote 5 |
|---|---|---|---|---|---|
| **Implications of the outcome** | No future steps needed for this outcome. | The decision to follow up with companies after a vote lies with the individual portfolio manager responsible for casting the vote and with discretion over the company. Where it is deemed necessary to follow up, Pyrford's portfolio managers will do so directly through a process of direct engagement with the company. In most cases, follow up is not required. | The decision to follow up with companies after a vote lies with the individual portfolio manager responsible for casting the vote and with discretion over the company. Where it is deemed necessary to follow up, Pyrford's portfolio managers do so directly through a process of direct engagement with the company. In most cases, follow up is not required. | Whilst Woodside has made some progress in identifying climate related risks in its portfolio and setting emission reduction targets, Pyrford are supportive of shareholder initiatives to maintain this momentum. LNG will be in demand for many years to come as a transition fuel to reduce demand for more carbon-intensive oil and coal. Therefore, ensuring that Woodside is seen as a responsible partner by governments, customers and the societies in which they operate must be in shareholders' interests. | The decision to follow up with companies after a vote lies with the individual portfolio manager responsible for casting the vote and with discretion over the company. Where it is deemed necessary to follow up, Pyrford's portfolio managers will do so directly through a process of direct engagement with the company. In most cases, follow up is not required. |
| **Criteria on which the vote is considered "significant"** | Pyrford believe that all proxy votes are important and aim to vote all ballots received on behalf of their clients. All proxy votes are reviewed by their ESG Forum on a quarterly basis. Those deemed to be "significant" are where Pyrford believe the outcome could have a meaningful impact on shareholder returns over their five-year investment horizon. These could include management and board appointments and compensation, decisions affecting capital structure as well as company responses to social, environmental or competitive pressures. | | | | |

# Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. The table below provides a summary of the engagement activity undertaken by each manager during the year.

| Manager | Baillie Gifford | Pyrford | LGIM |
|---|---|---|---|
| **Fund name** | Multi Asset Growth Fund | Global Total Return Fund | LGIM index tracking Funds |
| **Does the manager perform engagement on behalf of the holdings of the fund** | Yes | Yes | Yes |
| **Has the manager engaged with companies to influence them in relation to ESG factors in the year?** | Yes | Yes | Yes |

**Prepared by the Trustees of the Maritime Retirement Benefits Plan**
**05 July 2021**