

## Implementation Statement

# The Maxell Europe Limited Pension and Life Assurance Scheme

### Purpose of this statement

This implementation statement has been produced by the Trustees of the Maxell Europe Limited Pension and Life Assurance Scheme ("the Scheme") to set out the following information over the year to 31 March 2022:

- How the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- The voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

### How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers' general policies on corporate governance. The Trustees also expect the investment managers to have engaged with companies in relation to ESG matters, and to take these into account in the selection, retention and realisation of investments where appropriate.
- The Trustees are comfortable with the investment managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.
- The Trustees reviewed the stewardship and engagement activities of the current managers over the year, and were satisfied that their policies were reasonable and no remedial action was required at that time.
- The Trustees receive and review voting information and engagement policies from both the asset managers and our investment advisors as necessary on an annual basis. The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members' best interests.

## Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 31 March 2022 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities as follows:

*The Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.*

It was last reviewed in August 2020 and has been made available online here:

<https://www.maxell.eu/wp-content/uploads/2020/08/2020-08-Maxell-Statement-of-Investment-Principles-v1.0-signed.pdf>

### **Trustees of the Maxell Europe Limited Pension and Life Assurance Scheme**

**July 2022**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to 31 March 2022. Voting only applies to funds that hold equities in their portfolio. As such, the BlackRock LDI funds, Barings Global High Yield Credit Strategies Fund and the Hermes Multi Strategy Credit Fund do not participate in voting activities and are excluded from the table below.

Manager	Baillie Gifford	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	Newton
<b>Fund name</b>	Multi Asset Growth Fund	Aquila Life European Equity Index*	Aquila Life Japanese Equity Index*	Aquila Life Pacific Rim Equity Index*	Aquila Life UK Equity Index	Aquila Life US Equity Index*	Real Return Fund
<b>Structure</b>	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.						
<b>No. of eligible meetings</b>	111	414	505	479	1,112	594	98
<b>No. of eligible votes</b>	1,373	6,728	6,051	3,369	14,860	7,321	1,476
<b>% of resolutions voted</b>	86.6	99	100	100	99	99	99.2
<b>% of resolutions abstained</b>	0.17	1	0	0	0	0	0.0
<b>% of resolutions voted with management</b>	96.5	84	97	88	93	95	83.9
<b>% of resolutions voted against management</b>	3.4	15	2	11	6	4	16.1
<b>Proxy voting advisor employed</b>	No, all client voting decisions are made in house	Yes (ISS)	Yes (ISS)	Yes (ISS)	Yes (ISS)	Yes (ISS)	Yes (ISS)
<b>% of resolutions voted against proxy voter recommendation</b>	n/a	0.0	0.0	0.0	0.0	0.0	11.7

\*The Scheme is invested in both the GBP currency hedged and unhedged versions of these funds, the data is identical for both

## Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a "significant" vote, so for this Implementation Statement the Trustees have asked the investment managers to determine what they believe to be a "significant vote". Baillie Gifford and Newton have provided a selection of 10 votes which they believe to be significant, and in the interest of concise reporting the tables below show three of these votes for each fund. BlackRock have provided a varying number of significant votes for each of their funds, and these have been condensed down to show four of these votes across the combined funds. No significant votes were provided for the BlackRock Aquila Life Japanese Equity Index Fund and its currency hedged counterpart. As before, an asterisk denotes that the Scheme is invested in the GBP Currency hedged version of the fund, for which the votes are the same as the non-hedged fund.

A summary of the significant votes provided is set out below.

### Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Rio Tinto PLC	Vonovia SE	Galaxy Entertainment Group Ltd
<b>Date of vote</b>	9 April 2021	16 April 2021	13 May 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.22	1.28	0.18
<b>Summary of the resolution</b>	Remuneration - Report	Amendment of Share Capital	Incentive Plan
<b>How the manager voted</b>	Against	Against	Against
<b>Rationale for the voting decision</b>	Baillie Gifford opposed the remuneration report as they did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards.	Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.	Baillie Gifford opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan. In addition they felt the level of dilution was not in the interests of shareholders.
<b>Outcome of the vote</b>	The resolution was approved	The resolutions were approved	The resolution was approved
<b>Implications of the outcome</b>	Following the submission of Baillie Gifford's votes they engaged with the company to communicate their concerns. Whilst Baillie Gifford did not support the backwards looking remuneration report, they took the decision to support the forward looking remuneration policy. Baillie Gifford continue to be focussed on having good open communication with the leadership team which they believe is valuable as long-term investors.	Baillie Gifford contacted the company to see if they could provide an assurance they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance therefore Baillie Gifford did not feel it was in their clients' interest to support the two equity issuance resolutions. Baillie Gifford encourage the company to provide this additional assurance so they	Baillie Gifford's principle concern was with the poor disclosure of how performance is calculated and awards granted under the Share Option Scheme. The resolution received a significant dissent with a 22% opposition. Following the AGM they contacted the company to encourage improved disclosure in this area.

	Vote 1	Vote 2	Vote 3
		could consider supporting in future.	
<b>Criteria on which the vote is considered "significant"</b>	This resolution is significant because Baillie Gifford opposed remuneration.	These resolutions were significant as 13 received greater than 20% opposition.	This resolution is significant as it received greater than 20% opposition.

### BlackRock Aquila Life Funds

BlackRock Aquila Life Fund	European Equity Index*	Pacific Rim Equity Index*	US Equity Index*	UK Equity Index
	Vote 1	Vote 2	Vote 3	Vote 4
<b>Company name</b>	Vinci SA	Rio Tinto Ltd	Berkshire Hathaway Inc.	BP Plc
<b>Date of vote</b>	8 April 2021	6 May 2021	1 May 2021	12 May 2021
<b>Summary of the resolution</b>	Advisory opinion on the Company's environmental transition plan	<ol style="list-style-type: none"> <li>Approve Emissions Targets</li> <li>Approve Climate Related Lobbying</li> </ol>	Publish Annually a Report Assessing Diversity and Inclusion Efforts	Approve Shareholder resolution on climate change targets
<b>How the manager voted</b>	For	<ol style="list-style-type: none"> <li>For</li> <li>For</li> </ol>	For	For
<b>Rationale for the voting decision</b>	BlackRock voted for this item because it provides a clear roadmap towards the company's stated climate ambitions and targets. The company provides scope 1,2 and 3 emissions reduction targets to 2030.	BlackRock voted for these two shareholder proposals because they believe that greater disclosure on climate and climate-related lobbying disclosures would benefit shareholders.	BlackRock supported this proposal because the Company does not meet their expectations for disclosure of material diversity, equity, and inclusion policies and/or risks	Supporting this resolution signals their desire to see the company accelerate its efforts in climate risk management.
<b>Outcome of the vote</b>	The resolution was approved	<ol style="list-style-type: none"> <li>The resolution was approved</li> <li>The resolution was approved</li> </ol>	The resolution failed to be approved	The resolution failed to be approved
<b>Criteria on which the vote is considered "significant"</b>	BlackRock publish significant votes to highlight several of their key voting rationales as informed by their global voting guidelines, including when they vote against directors due to insufficient progress on climate-related disclosures (particularly with regard to TCFD/SASB-aligned reporting), concerns about remuneration and/or over boarding, concerns about board oversight, and risk management in high profile situations, among others.			

## Newton Real Return Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Greencoat UK Wind Plc	Citigroup Inc	AstraZeneca Plc
<b>Date of vote</b>	26 November 2021	27 April 2021	11 May 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.29	1.20	1.45
<b>Summary of the resolution</b>	Approve Capital Raising x 2	Amend Proxy Access Right	<ol style="list-style-type: none"> <li>1. Elect Directors x 4</li> <li>2. Approve Remuneration Policy</li> <li>3. Amend Restricted Stock Plan</li> </ol>
<b>How the manager voted</b>	Against	Against management proposals and for the shareholder proposal	Against
<b>Rationale for the voting decision</b>	Newton did not support two resolutions relating to a proposed share issuance. They were concerned with the discount to market price at which the shares would be issued, and that these shares would not necessarily be offered to existing shareholders.	Newton voted in favour of one shareholder resolution that management recommended voting against. This was in relation to improving minority shareholder rights by way of providing shareholders with access to propose directors for election to the company's board.	Votes were instructed against the remuneration policy, a new performance share plan, and members of the remuneration committee. Newton did not consider that the company had provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives.
<b>Outcome of the vote</b>	0.5% and 2.2% votes against	31.2% votes for	<ol style="list-style-type: none"> <li>1. 3.4%, 1.3%, 2%, 26% against Elect Director</li> <li>2. 39.8% against Approve Remuneration Policy</li> <li>3. 38.3% against Amend Restricted Stock Plan</li> </ol>
<b>Implications of the outcome</b>	While the vote outcome was not of significant concern, Newton's engagement with the company suggests that any future capital raising will be dealt with sensitively by the company.	The vote outcome, while not a majority, will be understood by the board as a matter of significant interest to the company's shareholders. It is a matter that should be addressed to avoid a further or increased public demonstration of concern.	UK best practice recognises that shareholder dissent in excess of 20% on remuneration-related proposals is significant and should result in proactive steps being taken by the company. In this case, with almost 40% of votes against pay proposals, the company is expected to consult with shareholders to determine and address underlying concerns.
<b>Criteria on which the vote is considered "significant"</b>	Newton recognised this as a significant vote owing to the structure surrounding capital raisings that can mean existing shareholders' value is unnecessarily diluted.	This vote demonstrates the increased tendency of shareholders to vote in support of such proposals. In addition the actual level of support, at 32.1%, is considered significant.	The level of shareholder dissent merits this vote as significant.

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds. The Cash and LDI funds held with BlackRock have been omitted here as they have limited scope for engagement. The asterisks again denote the data applies to both the hedged and unhedged versions of the fund.

Manager	Baillie Gifford	Barings	BlackRock	BlackRock
<b>Fund name</b>	Multi Asset Growth Fund	Global High Yield Credit Strategies Fund	Aquila Life European Equity Index Fund*	Aquila Life Japanese Equity Index Fund*
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	Not provided	679	415	292
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	Not provided	350	220	183
<b>Number of engagements undertaken at a firm level in the year</b>	Not provided	Over 900	Not provided	Not provided

Manager	BlackRock	BlackRock	BlackRock	Hermes	Newton
<b>Fund name</b>	Aquila Life Pacific Rim Equity Index Fund*	Aquila Life UK Equity Index Fund	Aquila Life US Equity Index Fund*	Multi Strategy Credit Fund	Real Return Fund
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	206	2,908	623	356	56
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	130	1,829	377	45	39
<b>Number of engagements undertaken at a firm level in the year</b>	Not provided	Not provided	Not provided	3,821	190

## Examples of engagement activity undertaken over the year to 31 March 2022

### Baillie Gifford, Multi Asset Growth Fund

#### LEG Immobilien SE

LEG Immobilien is a German residential landlord that targets the affordable end of the market. Baillie Gifford met with their supervisory board at LEG Immobilien's corporate governance roadshow to discuss their strategy, remuneration, diversity and board composition.

Baillie Gifford discussed plans to address the current skills gaps in digitalisation and sustainability within the board. In addition a reduction in the term of board members, provided a level of reassurance and greater control to Baillie Gifford as shareholders. Female representation was being met at board and mid-management levels and they encouraged the ambition to improve female representation at all levels of the business. Baillie Gifford also explored the detail of LEG's 2045 net zero targets, which included potential SBTi accreditation, Scope 3 disclosures and their ability to influence tenants' energy consumption and purchasing decisions.

This meeting was part of the company's regular investor outreach, and so was principally a two-way forum to canvass Baillie Gifford's views as well as allow them to discuss their points of interest. Baillie Gifford were encouraged by the progress on the governance side, where many of their concerns on remuneration and the Supervisory Board have now been addressed. Overall, Baillie Gifford felt this was an informative and fruitful conversation to have prior to the company's AGM.

### Barings, Global High Yield Credit Strategies Fund

#### Aggreko

Barings holds an investment in a global manufacturer and provider of temporary power equipment to multi-national corporations, SMEs and public sector customers. The company has operations in Russia through its Eurasia division, with Russia accounting for approximately 4% of the group's revenues. Upon outbreak of the war in Ukraine, Barings engaged with senior management at the company to request disclosure of exposure to Russia and obtain clarity on strategy for that division in light of recent events. Barings expressed a preference that the company should no longer operate in the region given the change to geopolitical circumstances.

Subsequently, Aggreko released a statement announcing a plan to sell their Eurasia division. Barings have stated they remain comfortable holding the investment following successful closure of the engagement.

### BlackRock, All Funds

BlackRock primarily engage through direct dialogue but may use other tools such as publications and correspondence to share their perspectives. They routinely review and refresh their engagement priorities to focus their work on the governance and sustainability issues they consider to be top of mind for companies and their clients as investors. BlackRock's engagement priorities provide clients with insight into how BlackRock are conducting engagement and voting activities on key governance and sustainability issues on their behalf.

BlackRock performed 806 total engagements during from the year to 31 March 2022, with 719 individual companies engaged. Of those companies, 396 were within the Americas region, 247 from EMEA and 163 from Asia-Pacific. BlackRock has engaged with companies from a wide variety of sectors, such as Energy, Utilities, Consumer Staples, etc.

### Hermes, Multi Strategy Credit Fund

#### Pemex

Hermes Credit team sold their position in Mexican oil company Petroleos Mexicanos (Pemex) following an unsuccessful engagement. Pemex is a pure bondholder engagement – it is not publicly listed as the



Mexican state is the sole shareholder. Instead, it relies on international debt capital markets to help finance its operations. Hermes believed this provided bond investors with an excellent opportunity to hold the company to account.

Hermes have engaged with Pemex since 2013, pressing for the adoption of best practice on environmental risk management and labour safety, given concerns about the frequency of oil spills, gas leaks and fatal accidents. Early on, Hermes made it clear there was a direct link between how the company managed ESG risks and a bondholder's decision to invest.

Throughout the engagement with Pemex, the company understood that a strong sustainability performance, particularly on labour and environmental safety, was essential to gaining access to international debt capital markets under favourable conditions. Pemex published its first ever labour safety targets in its 2017- 2021 business plan and committed to reducing its carbon emissions by 25% during the execution of its 2017-2021 plan.

However, Pemex has continued to be plagued by a series of safety incidents and explosions; the most severe of which was an explosion at one of the company's ruptured pipelines in January 2019 that killed over 100 people and injured over 50 more. This was likely caused by fuel theft - a serious public security issue in Mexico. Although Pemex is not responsible for policing the pipelines, Hermes argued that its reputation is damaged when an accident occurs and they therefore expect the company to have best-in-class response procedures and resources.

The team was deeply concerned by Pemex's failure to safeguard its workforce and their extended families from the impacts of coronavirus; and its unwillingness and inability to adequately manage its near and longer-term climate-related risks and operational footprint. As a result the credit team sold their position in Pemex in Q1 2021 following a downgrade in their ESG score by their analyst.

## **Newton, Real Return Fund**

### **Amazon.com, Inc**

Newton have engaged with Amazon on the topic of their human capital management, on policies such as diversity & inclusion, employee safety and employee unions. Newton had a meeting with the company to discuss how they manage key ESG risks, especially those related to human capital management.

Newton has previously encouraged the company to provide greater transparency on its human capital management through completing the Workforce Disclosure Initiative survey. Newton learned that the company has opted not to provide a response as it would rather focus on disclosures which can be made in its own reporting. Newton agree with the importance of this information being directly available to the company's investors. They also questioned the company specifically on recent unionisation activities in order to understand what lessons the company was taking from this type of employee feedback.

Newton were disappointed with the level of disclosure the company is willing to provide in the short term. Notably, the company indicated that its disclosures may evolve with the regulatory landscape. As a result, Newton believe the company would benefit from increased, robust and quantifiable disclosures in this area given the materiality of labour management to its business. Newton were pleased to hear some examples of changes which the company made to its approach based on direct employee feedback, such as the provision of immigration support which had been identified as a significant pain point for employees. However, Amazon's responses did not give them complete comfort that labour management issues for which it has come under public criticism are being sufficiently addressed.

Newton aim to continue their engagement efforts with the company on these issues and will continue to exercise their voting rights where relevant to facilitate change.