

## 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 2023:

- 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 their 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 their 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 2023 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.*

At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. The SIP 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  
June 2023**

## 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 2023. 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	BNY Mellon (formerly 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>	84	504	497	473	1,072	617	78
<b>No. of eligible votes</b>	885	8,994	6,176	3,317	14,903	7,672	1,287
<b>% of resolutions voted</b>	97.1	76	100	100	96	99	100.0
<b>% of resolutions abstained</b>	1.2	1	0	0	1	0	0.0
<b>% of resolutions voted with management</b>	95.2	87	97	88	94	96	89.2
<b>% of resolutions voted against management</b>	3.6	12	2	11	5	3	10.8
<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	1	0	0	0	7.0

\*Please note that the Scheme fully disinvested from BlackRock equity funds in October 2022, but the voting data shown applies to the 12 months to 31 March 2023. The Scheme was invested in both the GBP currency hedged and unhedged versions of the non-UK 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. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. 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 BNY Mellon 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 one of these votes for each fund. As before, an asterisk denotes that the Scheme disinvested from the fund in October 2022.

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>	Galaxy Entertainment Group Ltd	Greggs Plc	Lyft, Inc.
<b>Date of vote</b>	12 May 2022	17 May 2022	16 June 2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.06	0.25	0.4
<b>Summary of the resolution</b>	Amendment of Share Capital	Remuneration	Shareholder Resolution - Social
<b>How the manager voted</b>	Against	Against	For
<b>Rationale for the voting decision</b>	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 voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.	Baillie Gifford supported a shareholder proposal requesting further reporting on lobbying activities as they believe the company can make further improvements in this area.
<b>Outcome of the vote</b>	Pass	Pass	Fail
<b>Implications of the outcome</b>	Baillie Gifford have opposed similar resolutions in previous years and will continue to advise the company of their concerns and seek to obtain proposals that they can support.	Following casting a vote, Baillie Gifford reached out to the Company to provide reasons for their opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged their feedback on pensions and pay increases for one executive and explained how the new CEO's salary was set.	In response to the high level of support, Lyft has updated its policy on lobbying to add information on board oversight, management governance and a brief trade association policy but it does not meet the oversight and disclosure standard set out by the proponents. Therefore, Baillie Gifford believe Lyft can go further with disclosures.

	Vote 1	Vote 2	Vote 3
<b>Criteria on which the vote is considered "significant"</b>	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.

## BlackRock Aquila Life Funds

BlackRock Aquila Life Fund	European Equity Index*	Japanese Equity Index*	Pacific Rim Equity Index*	US Equity Index*	UK Equity Index*
	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
<b>Company name</b>	Equinor ASA	Electric Power Development Co., Ltd.	Santos Limited	Home Depot, Inc.	Ocado Group Plc.
<b>Date of vote</b>	11 May 2022	28 June 2022	3 May 2022	19 May 2022	4 May 2022
<b>Summary of the resolution</b>	Action Plan for Quality Assurance and Anti-Corruption	Amend Articles to Disclose Business Plan through 2050 Aligned with Goals of Paris Agreement	Approve Climate-related Lobbying	Elect Director Albert P. Carey	Approve Remuneration Policy
<b>How the manager voted</b>	Did not vote	Against	Against	Against	Against
<b>Rationale for the voting decision</b>	BlackRock consider this to be in the best interests of shareholders.	BlackRock voted against shareholder proposal as the proposal will not serve shareholder's interest.	BlackRock believe the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company	Nominee serves on an excessive number of public company boards, which BlackRock believe raises substantial concerns about the director's ability to exercise sufficient oversight on this board.	BlackRock believe Remuneration arrangements are poorly structured.
<b>Outcome of the vote</b>	The resolution failed to be approved	The resolution failed to be approved	The resolution failed to be approved	The resolution was approved	The resolution was 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.				

## BNY Mellon Real Return Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Greencoat UK Wind Plc	Universal Music Group NV	ConocoPhillips
<b>Date of vote</b>	28 April 2022	12 May 2022	10 May 2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.68	0.64	1.17
<b>Summary of the resolution</b>	Re-elect Shonaid Jemmett-Page as Director	Approve Remuneration Report	Elect Director Jody Freeman
<b>How the manager voted</b>	Against	Against	Against
<b>Rationale for the voting decision</b>	BNY Mellon opposed the re-election of the chairperson of the board. They raised concerns over the past share issuance undertaken by the trust, as they believe the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.	BNY Mellon voted against executive remuneration as there is inadequate information regarding the various one-off grants, specific targets, thresholds, and pay-outs, to be able to arrive at an informed voting decision. The short-term awards employ a metric that ensures the CEO receives the bonus more in the form of royalty than the metric being an actual driver of growth and incentivising the executive to perform.	BNY Mellon voted against remuneration arrangements due to a slight misalignment in pay and performance that is aggravated by concerns around LTI grants. The LTI are constantly earned above targets, casting doubt over the stringency of the awards. The STI scorecard lacks disclosure on key pieces of information that would allow us to mitigate pay-for-performance concerns. Consequently, we opposed incumbent remuneration committee members.
<b>Outcome of the vote</b>	15.0% votes against	29.0% votes against	4.39% votes against
<b>Implications of the outcome</b>	The vote outcome demonstrates that a super majority of shareholders are not concerned with the potential valuation dilution. As such, these shareholders' right to complain is lost should the company place new shares with investors that are priced below the share's net asset value.	As the company has controlling shareholders, the vote outcome shows that a majority of the minority shareholders failed to support the CEO's compensation and retain concerns had with Vivendi's remuneration arrangements. The company should recognise this significant level of dissent, and determine mitigating steps required to avoid a similar or worse vote outcome occurring in the future.	Majority and near majority support for shareholder proposals highlight the growing areas of concern in the US market.
<b>Criteria on which the vote is considered "significant"</b>	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares.	This vote provides an example of where a majority of the companies minority shareholders disagreed with a company's pay practices.	BNY Mellon determined this vote as significant owing to the rarity of a shareholder proposal achieving majority support and the high level of dissent around executive pay.

## 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 funds that the Scheme disinvested from in October 2022.

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	457	452	341
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	Not provided	287	245	214
<b>Number of engagements undertaken at a firm level in the year</b>	Not provided	741	Not provided	Not provided

  

Manager	BlackRock	BlackRock	BlackRock	Hermes	BNY Mellon
<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>	207	3,210	702	526	48
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	141	2,014	408	94	25
<b>Number of engagements undertaken at a firm level in the year</b>	Not provided	Not provided	Not provided	4,227	224

## Examples of engagement activity undertaken over the year to 31 March 2023

### Baillie Gifford, Multi Asset Growth Fund

#### **MP Materials Corp.**

An investment analyst on Baillie Gifford's Multi-Asset team travelled to the US to meet with management from the mining company, MP Materials, which included a four-hour mine tour.

A range of topics were discussed, with Baillie Gifford's focus within ESG to further explore the progress on two of their milestones for improved transparency of health and safety reporting and the prospect of environmental targets once the baseline has been established for different stages of the company's activities. Baillie Gifford were also able to explore the culture of the company and spoke to employees who previously worked at the mine when it was controlled by Molycorp.

This site visit enhanced Baillie Gifford's investment case and allowed them to actively monitor their ESG milestones. Overall, it further instilled Baillie Gifford's confidence in management's ability to execute their plans.

### Barings, Global High Yield Credit Strategies Fund

#### **Ineos**

Barings holds an existing investment in a global vertically integrated commodity chemicals producer. The company has a history of making dividends to fund other investment projects and business ventures within the wider group. It became evident to Barings via news articles that the principal shareholder of the company had registered his interest in a bid for a Premier League Football club with a high anticipated valuation.

During a virtual small group meeting with the CFO and wider senior management team, Barings requested further disclosure on the likelihood of the business increasing the size of their future dividends to fund any potential bid. Barings also expressed that such a transaction could be viewed negatively by the market and lead to downward pressure on the secondary pricing of debt instruments in the existing capital structure.

The company indicated that there will be no future dividends from the group to fund the potential football club bid, which Barings viewed positively and decided to take no further actions in relation to changing the existing Barings ESG rating or fund positioning.

### 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.

### Hermes, Multi Strategy Credit Fund

#### **Orbia**

Orbia is a downstream chemicals company with four divisions: precision agriculture, building and infrastructure, fluor, polymer solutions and data communication. There are clear sustainability benefits associated with its focussed product range including large reductions in agricultural water use, thermal efficiency for buildings and



the many efficiencies that digital communications bring. It will soon publish a new climate change target to reduce scope 1 and 2 emissions by 47% by 2030 and will aim to have this verified by the Science-based Targets Initiative.

Orbia has faced significant health and safety challenges in the past, including deaths of contractors as a result of work-related accidents. In 2020, Hermes set an objective for the company to demonstrate two more years of consistent improvement in its health and safety performance, just as its consistent decrease in its Total Recordable Incident Rate (TRIR) appeared to level out. They want this to be backed through external safety certifications and, most importantly, through evidence of improved worker outcomes in its ESG disclosures.

The company says it has made a concerted effort to shift its culture and strategy around worker safety to respond to the unacceptable level of fatalities. As of 2021, it achieved internationally recognised safety certifications at 74% of its sites, aiming to reach 100% by 2025. Meanwhile, although its TRIR decreased by almost 20% year-on-year, its total number of Process Safety events increased slightly. Hermes continue to engage with the company on the controls it puts in place to ensure continuing improvement in safety outcomes for employees.

### **BNY Mellon, Real Return Fund**

#### **Alibaba**

BNY Mellon have been disappointed that the company was not able to provide more detail on the waivers it applied for from the Hong Kong listing rules. It does not have any concrete plans to separate the roles of CEO and chair, saying that this may happen only when there is the right candidate for the CEO position, and was unable to provide comfort on the safeguards around its data security processes, which was disappointing given recent news of data breaches.

BNY Mellon had a follow-up group investor call to learn more about the general direction of travel on corporate-governance improvements, especially given the provision of special nominating rights to employee partners, the waivers to Hong Kong listing rules, and the combined chief executive officer (CEO)/chair role. BNY Mellon also sought to understand how the group manages risks related to data governance and security.

The company responses did not provide comfort on its corporate-governance profile which presents a high level of risk to public shareholders due to lack of shareholder rights and independent board representation. Concerns remain that in cases of conflicts of interest, minority shareholders could be disadvantaged. BNY Mellon hope to continue to gain clarity and share our expectations of the company's ESG journey through engagements.