

# The Muller Retirement and Death Benefits Scheme (1978) – Implementation Statement 2021

## 1. Introduction

This document reviews the extent to which the Trustees of the Muller Retirement and Death Benefits Scheme (1978) (the “Scheme”), have adhered to the policies and procedures on the exercise of rights (including voting) and undertaking of engagement activities with investment managers, as set out in the Scheme’s Statement of Investment Principles (“SIP”) dated September 2020. This was the SIP in place at the Scheme’s year-end date, 5 April 2021.

## 2. Executive summary

Over the Scheme year, the Trustees have:

- Updated the Scheme’s SIP in September 2020 to incorporate new regulatory requirements.
- Reviewed the voting eligibility and activity of those funds that invest in equities. The Trustees are generally satisfied that their investment managers have appropriately carried out their stewardship duties. The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees feel there is less scope to influence the practices of these issuers.

Further details on each of these matters is presented in the pages that follow.

## 3. Review of the SIP

Over the Scheme year, the Trustees updated the SIP to include information on the Trustees’ policies in line with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 requirements.

## 4. Investment Manager’s voting policies

### **Trustees’ voting and stewardship policies**

The Trustees acknowledge the constraints that they face in terms of influencing change due to the size and nature of the Scheme’s investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with their investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees have provided the appointed investment managers with full discretion concerning the stewardship of their investments. The Trustees will continue to ensure that the stewardship policies of the Scheme’s investment managers are embedded in their investment processes.

As part of this exercise, the Trustees reviewed the voting activity of the following funds:

- Baillie Gifford Diversified Growth
- Nordea Diversified Return

### **Baillie Gifford Diversified Growth Fund**

All voting decisions are made by Baillie Gifford’s Governance & Sustainability team in conjunction with investment managers. Baillie Gifford do not regularly engage with clients prior to submitting votes

Baillie Gifford believe that voting should be investment led, because how they vote is an important part of the long-term investment process. The ability to vote on their clients’ shares also strengthens their position when engaging with investee companies.

All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers’ policies. They utilise research from proxy advisers (ISS and Glass Lewis) for information only.

### **Nordea Diversified Return Fund**

Nordea have an aggregated voting strategy, meaning that they aim to vote for as large a part of their total holdings in any given company as possible.

Nordea’s Corporate Governance Principles define how Nordea act in corporate governance-related matters and set the rules for which strategies apply and how the voting of the shares owned by the funds shall take place. A Corporate Governance Committee has been set up in order to ensure appropriate handling of the corporate-governance matters, and the operational responsibility rests with the Corporate Governance Function (outside the Responsible Investments (“RI”) organization). However, the Corporate Governance function and Nordea’s in-house RI team work closely together and representatives from the RI team coordinate the work between the two functions.

Generally, Nordea’s approach is to support proposals aiming to protect or enhance long term shareholder value creation, to improve transparency on material ESG issues and to address material ESG risks that have emerged. Nordea’s voting power will be used in cases of a company’s failure to appropriately manage or mitigate ESG risks, or when there is a lack of sustainability reporting in the company’s public documents.

Nordea’s proxy voting is supported by two external vendors (ISS and Nordic Investor Services “NIS”) to facilitate the proxy voting, execution and to provide analytic input. Specifically, Nordea rely on ISS for proxy voting, execution as well as research, while NIS is mainly used for analysis.

### **Voting statistics**

The following table sets out the key statistics on voting eligibility and action over the Scheme year. The Trustees are satisfied with the voting activity undertaken by the Scheme’s investment managers over the year.

Statistic / Fund	Baillie Gifford Diversified Growth	Nordea Diversified Return
Number of equity holdings	112	277
Meetings eligible to vote at	103	270
Resolutions eligible to vote on	925	3,344
Proportion of eligible resolutions voted on (%)	96	45
Votes with management (%)	94	89
Votes against management (%)	5	10
Votes abstained from (%)	1	<1
Meetings where at least one vote was against management (%)	17	26
Votes contrary to the recommendation of the proxy adviser (%)	N/A	10

Source: Baillie Gifford and Nordea. Please note, totals may not sum due to rounding.

Over the Scheme year, Nordea voted on 45% of eligible resolutions, which is comparatively low. Nordea has advised that the figure is low because they only vote on resolutions where they feel they can enact change. Where they feel that they are not able to efficiently utilise shareholder rights, they will not engage in voting.

In January 2021 Nordea introduced the Voting 2.0 project, with a goal to heavily increase voting over the next two years. The target for Nordea for 2021 was to vote on 80% of all resolutions for the year. For the six months to June 2021 Nordea has voted in more than 95% of all AGM/EGMS. However, voting records for individual funds will differ.

## 5. Conflicts of interest

This section assesses whether the managers are affected by the following conflicts of interest, and how these are managed.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;

3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;
5. Differences between the stewardship policies of managers and their clients.

The following sections provide the responses received from the managers.

### **Baillie Gifford**

Baillie Gifford stated that, at Schibsted ASA, Investment AB Kinnevik and Adevinta ASA, Spencer Adair, James Anderson and Chris Davies respectively (Baillie Gifford partners and/or fund managers) were elected onto the Nomination Committee. It is market practice in Scandinavia for representatives of a company's largest shareholders to make up the committee; the Nomination Committee is not a board committee.

### **Nordea**

Nordea has confirmed that, to the best of their knowledge, they are not affected by any of these conflicts of interest.

## **6. Significant votes**

Appendix 1 lists the most significant votes cast (as defined by the managers) in relation to the funds.

### **Baillie Gifford**

Baillie Gifford has identified the following criteria that they have used to determine their most significant votes.

- Baillie Gifford's holding had a material impact on the outcome of the meeting.
- The resolution received 20% or more opposition and Baillie Gifford opposed.
- Egregious remuneration.
- Controversial equity issuance.
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders.
- Where there has been a significant audit failing.
- Where Baillie Gifford have opposed mergers and acquisitions.
- Where Baillie Gifford have opposed the financial statements/annual report.
- Where Baillie Gifford have opposed the election of directors and executives.

This list is not exhaustive.

### **Nordea**

Nordea determine significant votes as those that are severely against their principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals versus their policy.

## Appendix 1 – Most Significant Votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme.

### Baillie Gifford

Company Name	Covivio REIT	Gecina
<b>Date of Vote</b>	April 2020	April 2020
<b>Summary of the resolution</b>	Remuneration - Policy	Incentive Plan
<b>How the firm voted</b>	Against	Against
<b>Outcome of the vote</b>	Pass	Pass
<b>On which criteria has Baillie Gifford assessed this vote to be "most significant"?</b>	This resolution is significant because Baillie Gifford opposed the remuneration.	This resolution is significant because Baillie Gifford opposed the remuneration.

Source: Baillie Gifford

## Nordea

Company Name	Nike	Oracle
Date of Vote	September 2020	November 2020
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers Compensation	Advisory Vote to Ratify Named Executive Officers Compensation
How the firm voted	Against	Against
Outcome of the vote	Pass	Pass
On which criteria has Nordea assessed this vote to be "most significant"?	Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in the company.	Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in the company.

Source: Nordea