

# Natixis Pension Scheme

Year ended 31 December 2020

## Implementation statement

The Trustees of the Natixis 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 Scheme Year. This is provided in Section 2 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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

The SIP was reviewed and updated during the Scheme Year in July 2020 to reflect the Trustees’ decision to make a strategic allocation to the BMO Global Low Duration Credit Fund, the Trustees’ decision to make a strategic allocation to the L&G Infrastructure Equity MFG Fund, and the risk and return assumptions for the Scheme’s investment strategy as at 31 March 2020. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

No changes were made to the voting and engagement policies in the SIP during the Scheme Year.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Scheme’s new and existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

### 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.

The Trustees invested in a new pooled fund, the L&G Infrastructure Equity MFG Fund in June. In selecting and appointing this manager, the Trustees reviewed LCP’s RI assessments of the shortlisted managers. At the selection day, voting and engagement were discussed with each manager.

The Trustees’ selection and appointment of the BMO Global Low Duration Credit Fund took place in 2019, and so is not covered by this Statement.

### 3. Description of voting behaviour during the Scheme 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. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

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

- L&G Global Equity Fixed Weight (50:50) GBP Hedged Fund
- L&G World Emerging Markets Equity Index Fund
- L&G Infrastructure Equity MFG Fund
- ASI Diversified Growth Fund
- BlackRock Dynamic Diversified Growth Fund

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 were unable to include information on significant votes for the L&G’s World Emerging Markets Equity Index Fund and Infrastructure Equity MFG Fund. This is because L&G was unable to identify significant votes or provide information to help the trustees assess the significance of votes themselves.

The Trustees will continue to work with their advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

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## Implementation statement (continued)

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. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

### 3.1 Description of the voting processes

#### 3.1.1 Aberdeen Standard Investments ("ASI")

ASI provided the following wording to describe its voting practices:

*We vote all shares globally for which we have voting authority. The exceptions are when we are otherwise instructed by the beneficial owner or where, for practical reasons such as share-blocking, this is not appropriate. We make use of the services of ISS, which is a reputable provider of proxy voting research and voting recommendations. Although ISS has its own voting guidelines, we provide our own house guidelines to establish a custom policy, which ISS is required to follow when making voting recommendations. We also undertake our own analysis of resolutions being considered at AGMs and other shareholder meetings. We implement considered policies based on our ESG Investment Guidelines when voting the shares we manage. We seek to vote our clients' shares in a manner consistent with their best interests. We generally support a board's voting recommendation. However, we do vote our clients' shares against resolutions which are not consistent with their best interests as shareholders and/or conflict with the spirit of the Investment Association (IA) or other institutional guidance. When making voting decisions for UK companies, we also make use of the IA's Institutional Voting Information Service. In the event that we vote our clients' shares against a resolution at a UK shareholder meeting, we use best endeavours to discuss this with the company beforehand and explain our reasons. We use reasonable endeavours to do so in respect of abstentions. In exceptional circumstances, we attend and speak at UK shareholder meetings to reinforce our views to the company's board.*

#### 3.1.2 BlackRock

BlackRock provided the following wording to describe its voting practices:

*The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Corporate Governance and Engagement Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.*

#### 3.1.4 Legal & General Investment Management ("L&G")

L&G provided the following wording to describe its voting practices:

*LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.*

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## Implementation statement (continued)

### 3.2 Summary of voting behaviour over the Scheme Year

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

Voting behaviour							
Manager name	L&G		L&G		L&G		BlackRock
Fund name	Global Fixed (50:50) Fund - Currency	Equity Weights Index - GBP Hgd	World Emerging Markets Index	Equity Fund	Infrastructure Equity MFG Fund - GBP Currency Hedged	SL Diversified Growth	ASI BIIF-Dynamic Diversified Growth Fund
Total size of (pooled) fund at end of reporting period	£687m		£7,672m		£1,843m	c£729m	c£4,620m
Value of Scheme assets at end of reporting period	£8.8m		£2.2m		£4.3m	£6.8m	£6.6m
Number of holdings at end of reporting period	2830		1856		83	760	1763
Number of meetings eligible to vote	3533		3778		89	350	984
Number of resolutions eligible to vote	43630		34537		1132	3,991	12609
% of resolutions voted	99.97%		99.87%		99.91%	97.47%	96.83%
Of the resolutions on which voted, % voted with management	83.72%		85.53%		84.79%	85.76%	93.52%
Of the resolutions on which voted, % voted against management	16.19%		12.99%		15.21%	14.24%	5.64%
Of the resolutions on which voted, % abstained from voting	0.10%		1.48%		0.00%	2.06%	0.91%
Of the meetings in which the manager voted, % with at least one vote against management	5.44%		4.90%		5.75%	50.29%	n/a
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.41%		0.02%		0.35%	2.93%	n/a

### 3.3 Most significant votes over the Scheme Year

Each manager has indicated to us what it considers to be the “most significant vote” (with the exception of ASI). Commentary on some of the most significant votes over the period is set out below. Please note that this is not an exhaustive list. We have used our discretion to choose “most significant vote” resolutions from those provided by each relevant investment manager, aiming to provide a broad range of example resolutions that the Plan’s investment managers typically vote on.

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## Implementation statement (continued)

### 3.3.1 BlackRock

- **Exxon Mobil, United States, May 2020.**
  - **Vote:** Against the re-election of two directors
  - **Summary of resolution:** Majority voted for the re-election of the directors.
  - **Rationale:** BlackRock believed the two directors had not made sufficient progress on the Task Force on Climate-related Financial Disclosures (“TCFD”) aligned reporting. BlackRock believed the board had failed to provide investors with confidence that it was composed of the appropriate mix of skillsets and could exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business.
- **BHP Group Plc, United Kingdom and Australia (dual-listed), October 2020.**
  - **Vote:** For the approval of the Review of Advocacy Activities and Suspension of Memberships of Industry Associations where COVID-19 related Advocacy is Inconsistent with Paris Agreement Goals
  - **Summary of resolution:** BlackRock did not provide detail on the outcome of this vote in its statement.
  - **Rationale:** BlackRock supported the shareholder proposal to signal the importance of the opportunity for BHP to use its leadership position to constructively influence its trade associations to further advance global energy transition.
- **Santander Consumer USA Holdings Inc, United States, June 2020.**
  - **Vote:** For reporting on risk of racial discrimination in vehicle lending.
  - **Summary of resolution:** BlackRock did not provide detail on the outcome of this vote in its statement.
  - **Rationale:** BlackRock’s view is that discriminatory lending practices of all forms are a material risk to the company’s business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination). In BlackRock’s view, this action provided the company with an opportunity to provide investors with a more detailed explanation of how it assesses, manages and mitigates the risk of racially discriminatory lending practices.

### 3.3.2 L&G

- **Qantas Airways Limited, Australia, October 2020.**
  - **Vote:** L&G voted against resolution 3 and supported resolution 4
  - **Summary of resolution:** Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan; Resolution 4: Approve Remuneration Report.
  - **Rationale:** *The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from L&G as it wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, L&G's Investment Stewardship team engaged with the Head of Investor Relations of the company to express its concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. L&G 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, its 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. L&G voted against resolution 3 to signal its concerns.*

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## Implementation statement (continued)

- **Whitehaven Coal, Australia, October 2020.**

- **Vote:** For
- **Summary of resolution:** Resolution 6: Approve capital protection. Shareholders are 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.
- **Rationale:** *The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. L&G 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.*

- **Lagardere, France, May 2020.**

- **Vote:** L&G 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).
- **Summary of resolution:** 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 Lagardere, as well as to remove all the incumbent directors (apart from two 2019 appointments).
- **Rationale:** *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. L&G engages with companies on their strategies, any lack of challenge to these, and with governance concerns. 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, L&G engages with both the activist and the company to understand both perspectives. L&G engaged with both Amber Capital, where it was able to speak to the proposed new SB Chair, and also Lagardere, where it spoke to the incumbent SB Chair. This allowed L&G to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.*

- **Pearson, United Kingdom, September 2020.**

- **Vote:** Against
- **Summary of resolution:** 'Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.
- **Rationale:** *Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. L&G spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. L&G also discussed the shortcomings of the company's current remuneration policy. L&G also spoke with the chair directly before the EGM, and relayed its concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. L&G also*

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### Implementation statement (continued)

*asked that the post-exit shareholding requirements were reviewed to be brought into line with its expectations for UK companies. In the absence of any changes, L&G took the decision to vote against the amendment to the remuneration policy.*

- **Barclays, United Kingdom, May 2020.**
  - **Vote:** L&G voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.
  - **Summary of resolution:** Resolution 29: Approve Barclays' Commitment in Tackling Climate Change; Resolution 30: Approve ShareAction Requisitioned Resolution.
  - **Rationale:** *The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.*
- **Medtronic plc, US, December 2020.**
  - **Vote:** Against
  - **Summary of resolution:** Resolution 3: Advisory Vote to Ratify Named Executive Officers' Compensation.
  - **Rationale:** *Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. L&G voted against the one-off payment as we are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM L&G engaged with the company and clearly communicated its concerns over one-off payments.*
- **Plus 500 ltd., Israel, September 2020.**
  - **Vote:** *L&G voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, L&G also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.*
  - **Summary of resolution:** 'Resolution 17: Approve Special Bonus Payment to CFO Elad Even-Chen' at the company's special shareholder meeting held on 16 September 2020.
  - **Rationale:** *At its AGM on 16 September 2020, Plus500 proposed a number of pay-related proposals for shareholder approval. Amongst these, the board recommended the approval of a substantial discretionary bonus offered to the CFO of around \$1.2 million, for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. The bonus is in addition to his annual variable pay and outside the normal bonus structure. L&G does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Moreover, discussions with tax authorities and the obtaining of preferential tax structures for the company are seen as part of a CFO's day-to-day job and should not be remunerated separately. Instead, a preferential tax treatment will benefit future performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years.*

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### Implementation statement (continued)

#### 3.3.3 ASI

ASI does not categorise most significant votes. Instead it makes publicly available on its website all of its votes. We have therefore not included examples of any significant votes for ASI (as we rely on the Scheme's investment managers to determine what they consider to be significant votes).

We have liaised with ASI to ascertain if it is working towards providing information on most significant votes for next year. ASI responded with:

*"As it stands, we publish all of our votes in the interest of full transparency, as we are not in a position to determine which are the most significant votes; what is more significant to one shareholder may be less significant to another. We are, however, open to reviewing this process following Investment Association guidance".*

#### 3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but have engaged with companies to which they lend or have provided information on how they vote when the assets they invest in do have voting opportunities:

##### BMO (Global Low Duration Credit)

BMO did not have any proxy voting activity for the Global Low Duration Credit Fund. It provided the following summary of engagement activities it has undertaken within the fund:

Engagement Stats	
Engagements	137
Companies Engaged	49
Milestones achieved	31
Countries covered	14

