

Natixis Pension Scheme

Year ended 31 December 2021

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 last reviewed and updated 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 LGIM 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.

Additionally, the Trustees receive quarterly updates on ESG and Stewardship related issues from our investment advisers.

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 in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that hold equities as follows:

- LGIM Global Equity Fixed Weight (50:50) GBP Hedged Fund
- LGIM World Emerging Markets Equity Index Fund
- LGIM Infrastructure Equity MFG Fund
- Abrdn Diversified Growth Fund
- BlackRock Dynamic Diversified Growth Fund

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 Legal & General Investment Management (“LGIM”)

LGIM provided the following wording to describe its voting practices:

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All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

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.

3.1.2 Abrdn

Abrdn 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.

3.1.3 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 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.

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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 | LGIM | | LGIM | | Abrdn | | BlackRock |
| Fund name | Global Fixed (50:50) Fund - Currency | Equity Weights Index - GBP Hgd | World Markets Index | Emerging Equity Fund | Infrastructure Equity MFG Fund - GBP Currency Hedged | SL Diversified Growth | ASI BIJF-Dynamic Diversified Growth Fund |
| Total size of (pooled) fund at end of reporting period | £615m | | £7,331m | | £2,024m | | c£744m c£3,693m |
| Value of Scheme assets at end of reporting period | £9.2m | | £2.1m | | £4.6m | | £6.8m £6.6m |
| Number of holdings at end of reporting period | 2769 | | 1618 | | 83 | | 603 3845 |
| Number of meetings eligible to vote | 2764 | | 3627 | | 89 | | 691 965 |
| Number of resolutions eligible to vote | 34597 | | 31303 | | 1036 | | 9556 12082 |
| % of resolutions voted | 99.9% | | 99.8% | | 100.0% | | 92.1% 100.0% |
| Of the resolutions on which voted, % voted with management | 82.9% | | 81.8% | | 83.5% | | 88.0% 93.7% |
| Of the resolutions on which voted, % voted against management | 17.0% | | 16.3% | | 16.3% | | 11.3% 6.3% |
| Of the resolutions on which voted, % abstained from voting | 0.1% | | 1.9% | | 0.2% | | 0.7% 1.0% |
| Of the meetings in which the manager voted, % with at least one vote against management | 68.6% | | 49.2% | | 78.7% | | 55.5% 34.1% |
| Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor | 11.7% | | 6.22% | | 12.2% | | 2.6% 0.1% |

3.3 Most significant votes over the Scheme Year

Each manager has indicated to us what it considers to be the “most significant vote”. 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 Scheme’s investment managers typically vote on.

3.3.1. LGIM

In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

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- high profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where it notes a significant increase in requests from clients on a particular vote;
- sanction vote as a result of a direct or collaborative engagement; and/or
- votes linked to an LGIM engagement campaign.

Facebook, Inc., United States, May 2021.

Vote: Withhold. **Outcome of the vote:** For.

Summary of resolution: Resolution 1.9: Elect Director Mark Zuckerberg

Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, it has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.

Imperial Brands plc, United Kingdom, February 2021

Vote: Against. **Outcome of the vote:** Resolution 2 For; Resolution 3 For.

Summary of resolution: Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.

Rationale: 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. Further, 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 her or himself 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 its concerns over the remuneration structure. It also indicated that it publishes specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with its thinking.

Total SE, France, May 2021

Vote: Against. **Outcome of the vote:** For.

Summary of resolution: Resolution 6: Re-elect Patrick Pouyanne as Director.

Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, it has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – eg via individual corporate engagements and director conferences.

Alibaba Group Holding Limited, China, September 2021

Vote: Against. **Outcome of the vote:** For.

Summary of resolution: Elect Director Joseph C. Tsai

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Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, it has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across its stewardship activities – eg via individual corporate engagements and director conferences.

SBA Communications Corporation, United States, May 2021

Vote: Against. **Outcome of the vote:** For.

Summary of resolution: Resolution 1h: Elect Director J. Landis Martin

Rationale: The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.

1.3.2 Abrdn

Abrdn views all votes as significant and vote all shares globally for which it has voting authority unless there are significant voting obstacles such as shareblocking. Abrdn has identified five categories it considers as most significant. In order of importance, these categories are: High Profile Votes, Shareholder and Environmental & Social Resolutions, Engagement, Corporate Transactions, and votes contrary to custom policy. Members of its Central ESG Investment Function carry out monthly reviews to identify and categorise significant votes.

Future Plc, United Kingdom, February 2021.

Vote: For. **Outcome of the vote:** n/a

Summary of resolution: Approve Remuneration Policy

Rationale: It is Abrdn's strong view that the stability of the senior team at Future plc and the CEO in particular is of paramount importance to the long-term prosperity of the group and the prospects for its ongoing success. It therefore supported the proposed changes to replace the current long term incentive plan with a new value creation plan as it is long term in nature, sets challenging targets and is applied across the whole of the workforce.

Telecom Plus Plc, United Kingdom, July 2021.

Vote: Against. **Outcome of the vote:** n/a

Summary of resolution: Accept Financial Statements and Statutory Reports

Rationale: Abrdn has concerns regarding the diversity of the board and therefore considered a vote against the Chair of the Nomination Committee to be appropriate.

Akzo Nobel NV, Netherlands, April 2021.

Vote: Against. **Outcome of the vote:** n/a

Summary of resolution: Approve Remuneration Report

Rationale: Abrdn was concerned regarding the CEO's variable remuneration outcomes in view of the receipt of government support of €33m.

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3.3.3 BlackRock

BlackRock Investment Stewardship team periodically publish “vote bulletins” setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that BlackRock consider, based on their Global Principles and Engagement Priorities, material to a company’s sustainable long-term financial performance. These bulletins are intended to explain each voting decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. BlackRock make this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them. The vote bulletins contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Delta Air Lines, Inc., United States, June 2021

Vote: Against. **Outcome of the vote:** Against.

Summary of resolution: Item 5: Report on Climate Lobbying (Shareholder proposal)

Rationale: *BlackRock voted against this shareholder proposal because Delta already meets its expectations of companies regarding their activities and disclosures related to political spending and lobbying, and the company has clearly articulated climate goals and action plans.*

Berkshire Hathaway, Inc., United States, June 2021

Vote: For Items 1.1, 2, and 3, and Against Items 1.11 and 1.13. **Outcome of the vote:** For Items 1.1, 1.11, 1.13, 2 and Against Item 3

Summary of resolution: Item 1.1: Elect Director Warren E. Buffett (Chairman and CEO), Item 1.11: Elect Director Thomas S. Murphy (former Chairman of the Audit Committee), Item 1.13: Elect Director Walter Scott, Jr. (Chairman of the Governance Committee), Item 2: Report on Climate-Related Risks and Opportunities (Shareholder Proposal), Item 3: Publish Annually a Report Assessing Diversity and Inclusion Efforts (Shareholder Proposal)

Rationale:

- *Item 1.1: BlackRock voted for the re-election of Chairman and CEO, Warren Buffett. While voting action is warranted against the company for both governance and climate disclosure shortfalls, exercising the vote against a sitting CEO is unwarranted at this time.*
- *Item 1.11 and 1.13: BlackRock voted against the re-election of the former Chairman of the Audit Committee, Thomas Murphy, and the Chairman of the Governance Committee, Walter Scott, due to its concerns over shortfalls in the company’s governance practices and climate action planning and disclosure.*
- *Item 2: BlackRock supported this proposal because the company does not currently meet its expectations for disclosing a plan for how its business model will be compatible with a low-carbon economy.*
- *Item 3: BlackRock supported this proposal because the company does not meet its expectations for disclosure of material diversity, equity, and inclusion policies and/or risks.*

Vinci SA, France, April 2021

Vote: For. **Outcome of the vote:** For.

Summary of resolution: Item 11: Advisory opinion on the Company’s environmental transition plan

Rationale: *BlackRock voted for the proposal because it provides a clear roadmap towards the company’s stated climate ambitions and targets.*