

# Heerema Retirement Benefits Scheme Implementation Statement for the year ended 31<sup>st</sup> December 2020

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustees of the Heerema Retirement Benefits Scheme (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 31<sup>st</sup> December 2020 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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In September 2019, the Trustees received training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”) and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers’ own equivalent policies. The Trustees’ new policy was documented in the updated Statement of Investment Principles dated August 2020.

## The Trustees’ updated policy

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The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Scheme and have agreed a policy where they do not believe there are financially material risk considerations relating to such issues. They therefore have no additional requirements for managers to explicitly consider as part of their investment processes in relation to the selection, retention and realisation of investments, in this regard. However, the Trustees’ still delegate responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: The Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

## Ongoing governance

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The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees’ views on ESG (including climate change) and stewardship.

During the reporting year, the Trustees have not commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Scheme. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

Trustees will communicate their concerns with the relevant investment manager organisations when, for example, they present at meetings.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry. and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

## Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

## Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to both public and private equities, and investments in equities will also form part of the strategy for the diversified growth funds in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

### Schroders Diversified Growth Fund

Voting Information
Schroders Diversified Growth Fund
The manager voted on c93.6% of resolutions of which they were eligible out of 20,615 eligible votes.
Investment Manager Client Consultation Policy on Voting
In order to maintain the necessary flexibility to meet client needs, local offices of Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues. Clients in the UK will need to contact their usual client services person(s) on whether or not this is available for the type of investment(s) they hold with Schroders.
Investment Manager Process to determine how to Vote
Schroders evaluate voting issues arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. They utilise company engagement, internal research, investor views and governance expertise to confirm their intention. Further information can be found in their Environmental, Social and Governance Policy for Listed Assets policy: <a href="https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf">https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf</a>

How does this manager determine what constitutes a 'Significant' Vote?

Schroders consider "most significant" votes as those against company management.

Schroders are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if they believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance Schroders may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where they do not do this they classify the vote as significant and will disclose the reason behind this to the company and the public.

Does the manager utilise a Proxy Voting System? If so, please detail

Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into our voting decisions. In addition to relying on policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that our own research is also integral to our final voting decision; this will be conducted by both our financial and ESG analysts. For contentious issues, our Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders continue to review voting practices and policies during ongoing dialogue with our portfolio managers. This has led Schroders to raise the bar on what we consider 'good governance practice.'

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Bayer AG	Proposal 2 - Approve Discharge of Management Board for Fiscal 2019	Against	Voted against Company Management

"Lack of strategic oversight during Monsanto acquisition which poses huge reputational risk"			
Mediaset Espana Comunicacion SA	Proposal 1 - Amend Certain Terms of Proposed Bylaws of Mediaset Investment N.V. and Terms and Conditions for Special Voting Shares, for Initial Allocation of Special Voting A Shares and for Initial Allocation of Special Voting A Shares - Mediaset Espana	Against	Voted against Company Management
"Merger is not in shareholder's best interests."			
Investec Plc	Proposal 1 - Approve Matters Relating to the Demerger of Ninety One from Investec Group	Against	Voted against Company Management
"Not in shareholders best interests."			
Motorola Solutions, Inc.	Proposal 4 - Report on Political Contributions	For	Voted against Company Management
"The company is asked to report semi-annually its political contributions. A vote for is warranted as the company doesn't disclose participation to trade associations, nor payments associated with those memberships."			
Rio Tinto Limited	Proposal 24 - Approve Emissions Targets	For	Voted against Company Management
"The company is being asked to report short medium and long term scope 1/2/3 targets. We are supporting the resolution; while a little prescriptive we support the underlying goal and believe the company could be clearer particularly on climate-related incentives and scope 3 emissions"			

Partners Group Partners Fund

Voting Information

Partners Group Partners Fund

The manager voted on 98.6% of resolutions of which they were eligible out of 763 eligible votes.

Investment Manager Client Consultation Policy on Voting

We do not consult with clients before voting.

Investment Manager Process to determine how to Vote

Partners Group's voting process is outlined in the Proxy Voting Directive. These are a set of principles that are not intended to provide a strict guide to how Partners Group votes, but rather how Partners Group typically approaches core aspects of corporate governance. This applies only to the listed portion of the Fund and is not applicable for private market investments, which make up the bulk of this Fund. In certain circumstance Partners Group may receive proxy requests for publicly traded securities within a private markets portfolio. Typically when this occurs it will be evaluated by Transaction Services together with the relevant investment team and/or the relevant Investment Committee.

How does this manager determine what constitutes a 'Significant' Vote?

Size of the holding in the fund

Does the manager utilise a Proxy Voting System? If so, please detail

Partners Group hire services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, and they have been instructed to vote in-line with Partners Group's Proxy Voting Directive. Wherever the recommendations for Glass

Lewis, Partners Group's proxy voting directive, and the company's management differ, then Partners Group votes manually on these proposals.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Ferrovial	Remuneration report, intending to provide shareholders information and a voice on the implementation of the remuneration policy.	Against	In favour of management
The % of against votes for this proposal increased from 24% in 2019 to 35% in 2020. Management already made a few improvements to the remuneration plan, but these were insufficient. We will continue to vote against this proposal until we believe there is a reasonable remuneration policy in place.			
Techem	Amendment of subcontractor's contracts, GDPR compliance, sustainability improvement initiative	Control of board	n.a.
As part of its commitment to promote and improve sustainability, Techem initiated a new program across the company led by a newly hired sustainability communication professional. As for the initiative to improve sustainability, the initial focus was to engage with key stakeholders within and outside the organization with the goal of defining priority topics. These topics will form the basis of Techem's sustainability management program, which the company will start to report on from 2021.			
USIC	Establishment of a zero-tolerance safety program, launch employee retention initiative and optimization of driving routes	Control of board	n.a.
0			
Fermaca	Improvement of health and safety performance, management of climate-related impacts and strengthening of internal policies	Control of board	n.a.
0			
Civica	COVID 19 measurements, efforts on diversity and employee retention efforts	Control of board	n.a.

Employee retention remains a focus area for Civica. Due to the pandemic, the annual NPS exercise was not conducted this year, but they have done monthly pulse checks since the beginning of the lockdown to ensure employee engagement remained high.

I confirm that this Implementation Statement is accurate and representative of the Trustees' investment policies followed during the year.

Signed: \_\_\_\_\_, Chair of Trustees

Date: \_\_\_\_\_