

# Hempel Paints Ltd Pension & Life Assurance Scheme Implementation Statement – 2020

This document has been prepared by the Trustees of the Hempel Paints Ltd Pension & Life Assurance Scheme (the “Trustees”), in their capacity as Trustees of the Hempel Paints Ltd Pension & Life Assurance Scheme (the “Scheme”).

It sets out the stewardship<sup>1</sup> policies of the Scheme’s investment managers, the Trustees voting and engagement policies (that are also stated in the Scheme’s Statement of Investment Principles (“SIP”) dated December 2019), and demonstrates how these policies have been followed over the year to 31 March 2020.

Please note, the SIP was updated after the end of the Scheme’s year-end to incorporate additional information on the Trustees policies in line with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 requirements.

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out either by the Trustees or their investment advisers on behalf of the Trustees.

## 1. Trustees policies regarding stewardship

The Trustees acknowledge the constraints they face in terms of influencing change due to the size and nature of the Scheme’s investments (including its use of pooled funds). Furthermore, the Trustees note that the investment strategy and decisions of the fund managers cannot be tailored to the Trustees policies and the managers are not remunerated directly on this basis. However, the Trustees, with the help of Quantum Advisory, set the investment strategy for the Scheme and select appropriate managers and funds to implement this.

The Trustees do not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustees do, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation. Over the period, the Trustees monitored the performance of the Scheme’s funds through quarterly investment reports, prepared by Quantum Advisory and feel that performance has been as expected, when giving due consideration to the market conditions present.

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<sup>1</sup> Investment stewardship refers to engagement with public companies to promote corporate governance practices that are consistent with encouraging long-term value creation for shareholders in the company. Engagement and voting provide shareholders an opportunity to express their views.

The Trustees acknowledge the need to be a responsible steward and exercise the rights associated with the Scheme's investments in a responsible manner. With regards to equity investments, the Trustees have provided the appointed investment managers with full discretion concerning the stewardship of investments.

This statement focuses on the stewardship activities of those funds that hold equities as the Trustees feel there is greater scope to influence the practises of these issuers. The Scheme invests in equities through the LGIM World Equity Index Fund – GBP Currency Hedged Fund, the BNY Mellon Real Return Fund, the Barings Multi Asset Fund and the Partners Group Generations Fund. The funds are accessed via an investment platform which is managed by Mobius Life. The Trustees reviewed the managers' voting policies and processes (including most significant votes cast over the period) and the managers' declared conflicts of interest, and do not have any material concerns. If any concerns did arise, the Trustees (with the help of their investment adviser) would engage directly with the fund manager on such matters and consider the appropriateness of retaining any funds if the Trustees felt these were not resolved/settled. The Trustees believe they have followed their engagement policy (as detailed in the Statement of Investment Principles) over the 12-month period to 31 March 2020.

## 2. Manager's voting policies

This section summarises the voting policies and processes of the LGIM World Equity Index – GBP Hedged Fund, the BNY Mellon Real Return Fund (which is managed by Newton), the Barings Multi Asset Fund and the Partners Generations Fund.

### LGIM

LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's 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 is intended to ensure LGIM's 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 voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all of their clients. LGIM's voting policies are reviewed annually and take into account feedback from clients.

LGIM's Investment Stewardship team uses the Institutional Share Services ("ISS's") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may

happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

### **BNY Mellon**

The BNY Mellon Real Return Fund is managed by Newton Investment Management (“Newton”). All statements and information relating to this fund has been provided by Newton.

Newton prefer to retain discretion in relation to exercising voting rights and have established policies and procedures to ensure the exercise of global voting rights.

Newton intend to exercise voting rights in all markets where they retain voting authority. All voting decisions are made by Newton; the recommendations of the appointed voting service provider (Institutional Shareholder Services) (“ISS”) is only given precedence in the event of a material potential conflict of interest.

All voting notifications are communicated to Newton’s responsible investment team through an electronic voting platform. The responsible investment team reviews all resolutions for contentious issued, aided by advice from proxy research service providers. Voting decisions take into account local market best practice, rules and regulations while also supporting their investment rationale.

Contentious issues may be referred to the appropriate analyst for comment. Where an issue remains contentious, Newton may also decide to confer with the company or other interested parties for further clarification. Each voting decision taken by a member of the responsible investment team has to be authorised by an alternate member of the team. Newton’s corporate actions team is responsible for the administrative elements surrounding the exercise of voting rights by ensuring Newton have the risk to exercise individual clients’ votes and that these are exercised.

Where Newton plan to vote against management on an issue, they often engage with the company in order to provide an opportunity for their concerns to be allayed. In such situations, it would not be a surprise should they vote against management. Newton only communicate their voting intentions ahead of the meeting direct to the company and not to third parties. Newton do alert a company regarding an action they have taken at their annual general meeting (AGM) through an email, to explain their thought process. They then often hold a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the sponsoring global industry analyst.

Newton employ the services of voting service providers to help inform their voting intentions. Voting decisions are taken on a case-by-case basis, and Newton do not have a rigid policy with their voting

service provider. Only in the event of a conflict of interest do Newton follow the recommendations of a service provider. As part of their outsourcing service policy, Newton conduct due diligence of their voting service provider at least twice a year.

Newton's voting policy and procedures have been formulated and approved by their Responsible and Ethical Investment Oversight Group. Implementation of the voting policy and procedures involves the head of responsible investment and responsible investment analysts in collaboration with the global section analysts and portfolio managers.

### **Barings**

Barings engages a proxy voting service provider ("Service Provider") responsible for processing and maintaining records of proxy votes. In addition, the Service Provider will retain the services of an independent third party research provider ("Research Provider") to provide research and recommendations on proxies. Barings' policy is to generally vote all Client proxies for which it has proxy voting discretion in accordance with the recommendations of the Research Provider or with the Research Provider's proxy voting guidelines ("Guidelines"), in absence of a recommendation. In circumstances where the Research Provider has not provided a recommendation, the proxy will be analysed on a case-by-case basis.

Barings recognizes that there may be times when it is in the best interests of Clients to vote proxies against the Research Provider's recommendations or Guidelines. In such events a Proxy Administrator will vote the proxy in accordance with the Proxy Analyst's recommendation so long as (i) no other Proxy Analyst disagrees with such recommendation; and (ii) no known material conflict of interest ("Material Conflict") is identified. Barings can vote, in whole or part, against the Research Provider's recommendations or Guidelines as it deems appropriate. Procedures are designed to ensure that votes against the Research Provider's recommendations or Guidelines are made in the best interests of Clients and are not the result of any Material Conflict. For purposes of this Policy, a Material Conflict is defined as any position, relationship or interest, financial or otherwise, of Barings or Associate that could reasonably be expected to affect the independence or judgment concerning proxy voting.

If a Material Conflict is identified by a Proxy Analyst or Proxy Administrator, the proxy will be submitted to the relevant Governance Committee to determine how the proxy is to be voted in order to achieve the Clients' best interests.

There could be circumstances where Barings is unable or determines not to vote a proxy on behalf of its Clients. The following is a non-inclusive list of examples whereby Barings may decide not to vote proxies on behalf of its Clients:

- The cost of voting a proxy for a foreign security outweighs the expected benefit to the Client, so long as refraining from voting does not materially harm the Client;
- Barings is not given enough time to process the vote (i.e. receives a meeting notice and proxy from the issuer too late to permit voting);
- Barings may hold shares on a company's record date, but sells them prior to the company's meeting date;
- The company has participated in share blocking, which would prohibit Barings ability to trade or loan shares for a period of time;

- Barings has outstanding sell orders on a particular security and the decision to refrain from voting may be made in order to facilitate such sale; or
- The underlying securities have been lent out pursuant to a security lending program.

### Partners Group

Where Partners Group's client accounts contain listed equity securities in dedicated programs/allocation buckets ("Liquid Private Markets investments") and Partners Group has discretion to vote on a proxy stemming from such securities (a "Proxy Request"), Partners Group will make a decision on such Proxy Requests to protect and promote the economic value of the securities held in such client accounts. The following high-level proxy voting principles (the "Principles") are intended to outline Partners Group's general approach to proxy voting considerations that frequently arise for its Liquid Private Markets investments:

- Boards and directors
- Compensation
- Accounts, audit and internal control
- Capital structure and shareholder rights
- Environmental and social matters

These Principles are not intended to provide a strict guide to how Partners Group will vote in every instance, but rather how Partners Group typically approaches core aspects of corporate governance in Liquid Private Markets investments. These Principles are applied with discretion, taking into account the range of considerations, local corporate governance practices, and applicable regulations specific to a particular company and the individual ballot item.

Proxy Requests related to Liquid Private Markets investments may be administered by third party service providers. These service providers will follow the principles listed above in all instances. Should a voting recommendation by a service provider be against the recommendation by the respective company's management, Partners Group's Liquid Private Markets team will review and decide on the ultimate vote.

In certain circumstances, Partners Group receives Proxy Requests for publicly traded securities within a private markets portfolio. When such Proxy Requests arise, the recipient, typically the respective investment team or Partners Group Guernsey serving as administrator, will forward it to be reviewed and evaluated by Transactions Services together with the relevant investment team and/or the relevant Investment Committee.

Partners Group have a group form which seeks to ensure that all Proxy Requests, included in the broader term 'corporate actions', are reviewed and processed in a timely manner.

Partners Group use Glass Lewis & Co as their proxy voting service provider. Partners Group instruct Glass Lewis & Co on how they wish to vote and see them largely as an executor in the process. In the event of disagreement, Partners Group will submit their vote manually to the company in question.

### 3. Voting eligibility and activity

#### Voting statistics

The table below sets out the key statistics on voting eligibility and actions over the year to 31 March 2020 for the LGIM World Equity Index – GBP Hedged Fund, the BNY Mellon Real Return Fund, and the Barings Multi Asset Fund and over the year to 31 December 2019 for the Partners Generations Fund. Partners Group only report this information on a semi-annual basis.

Statistic	LGIM World Equity Index – GBP Hedged Fund	BNY Mellon Real Return Fund	Barings MAF	Partners Generations Fund <sup>2</sup>
Number of equity holdings	2,761	79	81	54
Meetings eligible to vote at	2,436	70	134	51
Resolutions eligible to vote on	29,940	953	1,730	709
Proportion of eligible resolutions voted on	98.1%	97.2%	97.4%	100.0%
Votes with management	82.8%	90.0%	93.2%	94.0%
Votes against management	17.1%	10.0%	5.1%	5.0%
Votes abstained from	0.1%	0.0%	1.7%	1.0%
Meetings where at least one vote was against management	71.1%	30.0%	35.9%	24.0%
Votes contrary to the recommendation of the proxy adviser	10.4%	9.2%	0.8%	2.0%

Source: LGIM, Newton, Barings, and Partners Group.

<sup>2</sup> Data accurate as at 31 December 2019 due to availability of data.

The Trustees are satisfied with the level of voting activity that has been undertaken by the Scheme's investment managers.

#### Most significant votes cast

Appendix 1 lists the most significant votes cast (as defined by the managers) in relation to the LGIM World Equity Index – GBP Hedged Fund, the BNY Mellon Real Return Fund, the Barings MAF, over the year to 31 March 2020 and in relation to the Partners Generations Fund over the year to 31 December 2019.

The criteria the managers have applied in selecting the most significant votes is set out below.

### **Newton**

The most significant votes for Newton have been deemed as those that have been against management of the companies held. Newton have stated that these have the potential for the greatest impact, as areas for improvement can be highlighted and there is no automatic positive intent of ownership.

### **Barings**

Barings have based their most significant votes on those votes that they have cast against management.

### **LGIM**

In determining significant votes, LGIM's Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- High profile vote which has 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 LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

### **Partners Group**

Partners Group have based their most significant votes on the size of the holding.

### **Conclusions**

The Trustees have reviewed the most significant votes cast by each investment manager over the reporting period and are generally satisfied.

LGIM have determined their ten most significant votes at a firmwide level. As the World Equity Index – GBP Hedged Fund only holds some of these, only three significant votes have been provided. The Trustees have queried this approach with LGIM and is awaiting a response.

The Trustees have noted that where there is commonality of holdings reported in the most significant votes provided, the managers have voted consistently with each other.

## **4. Managers' conflicts of interest**

This section assesses whether LGIM, Newton, Barings, and Partners 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; and
5. Differences between the stewardship policies of managers and their clients.

### LGIM

LGIM have not directly commented on which of the above conflicts of interest they are affected by. The Trustees are challenging this.

The Trustees have received a copy of the conflicts of interest policy from LGIM and will request sight of this document and details of any relevant conflicts of interest annually from LGIM.

### Newton

When engaging with a conflicted company, Newton declare and explain the conflict to the company at the outset. Engagement activity then continues as normal, which includes the production of meeting notes that are shared with all investment staff and retained in accordance with regulations surrounding the retention of documentation.

Newton are affected by the following conflict of interest across the fund holdings:

**“The asset management firm overall has 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.”**

Newton provided the following examples to the Trustees, of how this conflict may arise, and commented on how these conflicts are managed.

**Example 1:** A conflict might exist if Newton manage monies for the underlying company, subsidiary of the underlying company or the company employee's pension scheme.

Newton maintain a list of all companies where there may be a potential material conflict of interest. The list includes all funds managed or owned by Newton or its parent company, BNY Mellon, and also includes companies that are directly linked to their underlying clients, such as corporate pension funds. If any potential material conflict of interest between Newton, the investee company and/or a client is identified, the recommendation of Newton's external voting service provider will take precedence.

Newton's quarterly reports highlight any instances where voting activity was outsourced due to a conflict of interest.

**Example 2:** A conflict might exist where Newton has invested on behalf of its clients in two or more parties that are involved in a corporate event, such as a takeover.

In these situations, Newton ensures that any voting activity is in the best interests of each individual client as an investor in each single entity.



Newton is not affected by the other conflicts of interests outlined above.

### **Barings**

Barings have confirmed that they are not currently aware of any material conflict of interest that would impair its ability to act as the manager to the Barings MAF.

### **Partners**

With regard to the Partners Generations Fund's listed investments, Partners Group are not aware, to the best of their knowledge, of any apparent client-relationship conflict that would impair their ability to act as the manager of the Partners Generations Fund. Partners Group have confirmed that the Generations Fund is invested in shares of Partners Group, the exposure to which is c.0.2% of the overall Fund.

Appendix 1 – Most significant votes cast

## Significant votes

In relation to the Fund named above, which 10 votes over the year to "31/03/2020" do you consider to be most significant for the Plan?

	Vote 1	Vote 2	Vote 3
Company name	BP PLC	BAYER AG	ESSILORLUXOTTICA
Date of vote	21/05/2019	26/04/2019	16/05/2019
Approximate size of fund's holding as at the date of the vote (as % of portfolio)			
Summary of the resolution	Resolution 22 - Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures.	Res 2 - Approve Discharge of Management Board for Fiscal 2018	Res A, B and C: Elect Wendy Evrard Lane as Director; Elect Jesper Brandgaard as Director; Elect Peter James Montagnon as Director
How you voted	For	Against	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. LGIM worked with the board of BP to secure its support for the motion. At the company's annual general meeting, the proposal was passed with overwhelming approval from shareholders. We have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. The company has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.	Following its acquisition of agribusiness Monsanto, Bayer was asked to pay millions in damages in several court cases where plaintiffs claimed that Monsanto's glyphosate-based weedkiller RoundUp was linked to causing cancer. The damages were reduced upon appeal, and Bayer was adamant that RoundUp was not carcinogenic. We are concerned that the Bayer supervisory and management boards had not fully considered the significant risks related to glyphosate litigation in the US. Although at the time of the merger agreement in 2016 there were only about a hundred such lawsuits, by the end of 2019, the number grew to over 40,000. From the finalisation of the acquisition in May 2018 until July 2019 Bayer's share price fell by approximately 45%. Unrelated to the litigation, we have previously discussed the importance of a lead independent director, particularly in times of crisis. We spoke to the company ahead of its 2019 AGM to gain a better understanding of the decision-making process in relation to the Monsanto acquisition and the legal advice it received for litigation risk. We recommended establishing advisory and M&A committees, staffed by members appointed with specific expertise; appointing non-executive directors with specific expertise; and appointing new executives. In addition, we suggested that these incidents should have a bearing on remuneration awarded for the year.	In 2018, French lenses producer Essilor merged with Italian frame manufacturer Luxottica. Upon conclusion of the merger, the executive chair of Luxottica's holding company (Delfin) owned 32.7% of the merged company's share capital. Under the terms of the merger agreement, the aforementioned executive chairman and Essilor's executive vice-chairman were both given equal powers. A board was also established, with membership split equally between Essilor and Delfin. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. We contacted EssilorLuxottica to discuss the issue, but received no reply. We engaged extensively with Comgest, Valoptec and the board nominees. We publicly announced our support for the board nominees ahead of the AGM to ensure the current board knew our intentions and to raise awareness to the other shareholders.
Outcome of the vote	99.1% support	44.5% for; 55.5.% against	Res A: 43.7% support ; Res B: 34.1% support
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM continues to engage with the company and monitor progress.	The company subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. We will continue to pay close attention to the litigation and any possible settlements, as well as the decisions of Bayer's remuneration committee. The company also announced that the chair would step down at the 2020 AGM.	Before the AGM was due to take place, the company's board announced that it had reached a governance agreement and all disputes had been resolved. EssilorLuxottica's CEOs had been tasked with focusing on the integration process and to accelerate the simplification of the company. The board confirmed that neither CEO would seek to become the leader of the combined entity. The board nominees received significant support from the company's independent shareholders, equalling respectively 43.7% and 35% of the total votes. We continue to engage with the company for the benefit of our clients.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	This is the first shareholder resolution put forward by LGIM.	Vote of no confidence, a rare escalation step.	Escalation of engagement. We publicly announced our support for the board nominees ahead of the AGM to ensure the current board knew our intentions and to raise awareness to the other shareholders.

**Newton Real Return Fund - Most significant votes**

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
IN RELATION TO THE FUND NAMED ABOVE, WHICH 10 VOTES (AT A MINIMUM) DURING THE REPORTING PERIOD DO YOU CONSIDER TO BE MOST SIGNIFICANT FOR THE SCHEME?					
<b>Company name</b>	Associated British Foods Plc	Bayer AG	Cisco Systems, Inc.	Eversource Energy	Linde plc
<b>Date of vote</b>	06-Dec-19	26-Apr-19	10-Dec-19	02-May-19	26-Jul-19
<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.67	0.63	0.73	1.00	0.83
<b>Summary of the resolution</b>	Approve Remuneration Report	Approve Discharge of Management Board for Fiscal 2018	Advisory Vote to Ratify Named Executive Officers' Compensation, Elect Board Directors (members of the compensation committee), Ratify PricewaterhouseCoopers LLP as Auditors and Shareholder Proposal to Require Independent Board Chairman.	Advisory Vote to Ratify Named Executive Officers' Compensation and Elect Directors	Advisory Vote to Ratify Named Executive Officers' Compensation and Elect Directors
<b>How you voted</b>	AGAINST	AGAINST	AGAINST management proposals and	AGAINST	AGAINST
<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	Yes	No - engaged after the vote.	Yes	Yes	No
<b>Rationale for the voting decision</b>	We voted against the remuneration report owing to long-held concerns about the exclusion of the sugar division's performance from the calculation of management's long-term incentive award. However, following extensive engagement with the chair of the remuneration committee, we were able to support the revised remuneration policy owing to a change in the structure of the scheme. We were pleased to see that the sugar business can now affect the entirety of the long-term pay award rather than just a portion of it, and we believe the new structure aligns well with the company's overall business strategy.	We voted against a resolution to discharge the management board for 2018. This was because we viewed that management had misjudged the legal and reputational risks of the Monsanto acquisition, and underestimated the legal costs of one of Monsanto's most important products, Roundup, which is being tried in court as carcinogenic. Voting against the discharge of management does not have legal implications. Instead, it sends a message to management that investors hold them accountable for the ongoing negative developments related to the Monsanto acquisition.	We voted against the remuneration report and members of the remuneration committee owing to insufficient performance conditions attached to management's long-term incentive award, and given a lack of clarity on the measures which are used to calculate the annual bonus. In addition, we also voted against the external auditor owing to an excessively long tenure which brings its independence and objectivity into question. Finally, for a second consecutive year, we supported a shareholder resolution requiring that the CEO and chair roles be separated.	We voted against executives' compensation arrangements and the long-standing members of the compensation committee owing to the predominant use of long-term pay awards that vest subject only to time served.	We voted against the advisory vote on the executives' compensation and also against the remuneration committee members. We had a variety of concerns: - The continued granting of long-term pay awards that vest purely based on time served. - The CEO received \$185,808 for his personal use of the company's aircraft. - The vesting of outstanding share awards is accelerated in the event of a change in control. - Finally, the CEO received additional years of service credits beyond time-served at the company for the purposes calculating his pension provisions.
<b>Outcome of the vote</b>	3.3% vote AGAINST.	55.5% vote AGAINST.	5.3% vote AGAINST pay, 4.6% AGAINST the auditor, 28.7% FOR the appointment of an independent chair.	12.0% vote AGAINST pay.	8.0% vote AGAINST pay.
<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	This vote supported and was in line with our previous voting and engagement activities that have ultimately resulted in the executive pay structure going forward being better aligned with the company's activities and the shareholder experience. We hope to be able to support the remuneration report at	The outcome of the vote provided a clear message to the company that shareholders are willing to hold management responsible, publicly. We will continue to engage with the company as the issue and actions evolve.	While the voting outcomes were not significant, we expect to continue recognising our fundamental governance concerns through our voting and engagement activities.	The outcome of the vote is likely to generate discussion within the company and be the subject for shareholder outreach. We only expect to change our voting decisions should improvements be made to the executive pay arrangements.	We believe better alignment of executive pay with performance is a fundamental imperative that investors should encourage. We will continue to do this via our stewardship activities.
<b>On which criteria have you assessed this vote to be "most significant"?</b>	The vote and change in remuneration structure is considered significant given our multi-year efforts that have resulted in an improved alignment between executive pay arrangements and company performance.	We deemed the vote as significant owing to the legal, reputational and media controversies surrounding the company's acquisition of Monsanto.	In addition to being votes against the recommendations of management, we felt these were significant votes given they highlight several of the common governance concerns we have with US-based companies.	We expect more shareholders will increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase and result in unnecessary media attention that can foster both financial and reputational issues.	We expect more shareholders will increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase and result in unnecessary media attention that can foster both financial and reputational issues.

**Newton Real Return Fund - Most significant votes**

	VOTE 6	VOTE 7	VOTE 8	VOTE 9	VOTE 10
<p>IN RELATION TO THE FUND NAMED ABOVE, WHICH 10 VOTES (AT A MINIMUM) DURING THE REPORTING PERIOD DO YOU CONSIDER TO BE MOST SIGNIFICANT FOR THE SCHEME?</p>					
<b>Company name</b>	Microsoft Corporation	Suzuki Motor Corp.	Thales SA	Unilever NV	Vivendi SA
<b>Date of vote</b>	43803	43643	43600	43586	43570
<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	1.16986	0.932498142	0.78434	0.90545	0.87707
<b>Summary of the resolution</b>	Advisory Vote to Ratify Named Executive Officers' Compensation, Elect Board Directors (members of the compensation committee), Ratify PricewaterhouseCoopers LLP as Auditors and Shareholder Proposal to report on Gender Pay Gap	Elect Directors.	Renew Appointment of Mazars as Auditor.	Approve Remuneration Report and Elect Directors.	Approve Special Auditors' Report Regarding Related-Party Transactions, Advisory Vote to Ratify Named Executive Officers' Compensation, Approve Remuneration Policy and Authorize Directed Share Repurchase Program.
<b>How you voted</b>	AGAINST management proposals and FOR the shareholder proposal	AGAINST	AGAINST	AGAINST	AGAINST
<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	Yes	No - engaged after the vote.	No	Yes	Yes
<b>Rationale for the voting decision</b>	Despite improvements to executive remuneration practices over recent years, the company failed to justify a 40% increase in total compensation for the CEO, which included a significant increase in basic salary. In addition, we remained concerned that approximately half of long-term pay awards vest irrespective of performance. We voted against the executive compensation arrangements and against the three members of the compensation committee. We also voted against the re-appointment of the company's external auditor given it had served in this role for 36 consecutive years. A shareholder resolution proposed that the company report on its gender pay gap. In contrast to the recommendation of management, we supported this resolution in view of the insights a company can benefit from by	We voted against the board chair and company president owing to concerns surrounding the company's approach to quality control. We considered that the board chair and president should be held accountable as they had served on the board for 55 and 16 years respectively.	We voted against reappointing the auditor as the firm had been in the role since 1983. We believe it is healthy for a company to tender its audit contract regularly, with a maximum tenure limit of 25 years.	The company made some positive improvements to its remuneration policy but failed to address certain core concerns. First, the award of long-term incentives is reliant on the award of annual bonuses; if no annual bonuses are awarded, executives do not receive a long-term incentive. This either provides for potential resignation windows or forces bonuses to be awarded in years when they may not be merited. Secondly, variable pay awards continue to be determined as a multiple of fixed pay (salary, pension and benefits). Our concern is that the inclusion of pensions and benefits as determinants for the size of variable pay awards adds unnecessary complexity and flexibility. We voted against the remuneration report and members of the remuneration committee, with the exception of one member who had only served for a year.	Owing to a conflict of interest, we voted in line with the recommendations of our third-party proxy research provider. Consequently, we voted against the auditor's report on related-party transactions, the compensation and remuneration policies of members of the management and supervisory board, and the authorisation of a share buyback programme.
<b>Outcome of the vote</b>	23.3% vote AGAINST pay, 3.5% vote AGAINST the auditor, 29.6% vote FOR gender pay gap.	Not available	5.3% vote AGAINST.	4.4% vote AGAINST.	30.4% vote AGAINST related party transactions, 26.2% average vote AGAINST eight executive pay proposals, 27.4% average vote AGAINST three pay policies, 32.2% vote AGAINST share repurchase.
<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	We considered the vote outcome on the pay resolutions to be material and of a level where the company is expected to address concerns to avoid further dissent in future years. We have been encouraged by the company's improvements and momentum. Debate surrounding long tenured auditors is not well developed in the US but we expect this to change.	While the vote outcome is unknown, even a relatively small level of shareholder dissent in Japan is taken seriously by companies. As such, we expect improvements going forward.	Given the debate surrounding audit tenure is well established in Europe, we were surprised with the low level of shareholder dissent. However, this will remain a key criteria that will determine our future vote decisions on this matter.	The vote outcome was such that the company is unlikely to instigate further consultation with shareholders on this matter. We will continue to monitor the company's pay structure and exercise our stewardship responsibilities in line with our beliefs and expectations.	While the vote outcome is considered material, especially given the share ownership structure, this level of dissent has been levied historically with little improvements made to abate concerns. We will continue to engage with company and reflect this in our voting decisions.
<b>On which criteria have you assessed this vote to be "most significant"?</b>	We expect more shareholders will increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase and result in unnecessary media attention that can foster both financial and reputational issues.	In addition to voting against management and the shareholding being a sizable position within the fund, we felt that the reputational and operational issues underlying the vote decision qualified it a being significant.	We considered this to be a significant vote given it demonstrates the implementation of our overarching voting policy surrounding the necessity for audit quality.	We considered this a significant vote given the attention the subject received from investors and that certain elements of the pay structure is not in line with established UK best practice.	The vote was considered significant owing to the share ownership structure and the long-standing governance concerns with company.

# Active voting: examples

## Example votes against management

(Holdings of DAAF, Year ending March 2020)

	Stryker Corp	Unibail-Rodamco-westfield	Crystal Amber fund Ltd	JPEL Private Equity	Doric Nimrod Three Ltd	Doric Nimrod One Ltd	Diageo plc	Tui ag	Diploma plc	Lg chem Ltd
Date of vote	01/05/2019	17/05/2019	22/11/2019	25/11/2019	21/11/2019	21/11/2019	19-Sep-19	11-Feb-20	15-Jan-20	20-Mar-2020
Approximate size of holding (as % of portfolio)	<0.5%	c.1%	c.0.5%	c1%	c1%	c1%	<0.5%	<0.5%	<0.5%	<0.5%
Summary of the resolution	Re-appointment of Ernst & Young LLP as auditor	Board remuneration	To wind up the company	Re-election of John Loudon as a non-executive	Removal of the cap on remuneration of the Board	Re-elect Geoff Hall as a director	Re-election of H Kw onping as a director	Board remuneration	Board remuneration	Election of a non-permanent director: Kw on Young Soo
For / Against	Against	Against	For	Against	Against	Against	Against	Against	Against	Against
Engagement ahead of vote?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Rationale for the voting decision	Ernst & Young have been the auditors for circa 45 years.	Westfield deal has been bad for the company, but saw the Board get paid more	We want to wind up the company which is trading at a discount to NAV.	Four directors is too many and we need to keep costs down.	Cost control needed	Cost control needed	Insufficient audit committee independence	Questionable remuneration for incoming CEO	This is a bad plan. The amendment is not in best interests of shareholders	Board is not sufficiently independent

Source: Barings, March 2020.

For investment professionals only

**Partners Group Generations Fund - Most significant votes**

In relation to the Fund named above, which 10 votes (at a minimum) during the reporting period do you consider to be most significant for the Scheme?	Vote 1	Vote 2	Vote 3
Company name	Wendel	Confluent Health	Vermaat
Date of vote	16/05/2019	n/a	n/a
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.82% of the listed sub-portfolio	n/a	n/a
Summary of the resolution	The vote was regarding the independence of the board of director, the compensation policy of management as well as the board of directors.	During our first few months of ownership at the end of 2019, our ESG & Sustainability team met with the management teams of each of Confluent's business lines to gain a clearer understanding of impact potential. We also started identifying KPIs and data sources that we might use to track Confluent's impact over the lifetime of our investment. In 2020, the ESG & Sustainability team will agree on these KPIs with Confluent and establish baseline impact metrics. Material factors include human capital and energy management projects.	During Partners Group's ownership, effectively reducing food waste was a key area of focus. It is estimated that over a third of the food produced in the Netherlands is not consumed, which not only creates food waste, but also generates unnecessary carbon emissions during production and transportation. By tackling food waste, Vermaat is also supporting Sustainable Development Goal 12.3: "By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses."  After examining Vermaat's food supply chain, we introduced the following processes to avoid food waste in its daily operations.  <ul style="list-style-type: none"> <li>• Ingredient production: during the production of raw materials, suppliers throw away food that is not deemed good enough to be sold purely for aesthetic reasons. Vermaat has collaborated with suppliers to reduce this waste and now uses a number of platforms to buy "imperfect" ingredients that would otherwise go to waste</li> <li>• Planning: in addition to purchasing produce only according to its chefs' needs, Vermaat encourages its staff to share best practices on planning in advance and how to avoid throwing away raw materials.</li> <li>• Cooking: as part of its quest for innovation, Vermaat uses food parts that would normally be thrown away and optimizes left-overs from its own produce.</li> <li>• Point of sale: during Partners Group's ownership, a system was implemented enabling management to receive real-time sales information across locations. Unsold food can now be registered at the point-of-sale, meaning food assortment and stocks can be better optimized at individual locations. In addition, Vermaat is a member of platforms such as Too Good To Go and</li> </ul>
How you voted	Against	Control the board	Control the board
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	n/a	n/a
Rationale for the voting decision	The board should be independent in order to oversee management objectively. The compensation should incentivize management to generate high performance and in this case, management would have been eligible for bonus even if the performance is below the median of the peer group.	Confluent Health currently employs over 2'300 full-time and part-time employees, 1'850 of whom are clinical professionals. Human capital is one of the company's key assets. Further, physical therapy is an industry that makes fewer hires than there are job openings, which means employee retention is critical for business growth.  With 186 clinics across twelve states, Confluent Health also has a substantial physical footprint. Reduction initiatives could save an average of USD 1.7 million in energy costs across all of its centers annually.  An external impact assessment has verified Confluent Health's potential to generate positive impact for society by directly improving patients' lives, addressing the US opioid crisis by providing alternatives to pain medication, and reducing healthcare costs by offering an alternative to costly surgeries.	Integrating sustainability into its business practices is key to the company's business model. This is an area of critical importance to many of its clients and a differentiating factor for winning new locations and renewing existing ones.
Outcome of the vote	In favour of management	While employee satisfaction and turnover are material to the company's success, Confluent Health does not currently track employee turnover rates or conduct regular employee engagement surveys. This is a key ESG area of improvement in 2020.  Implementing an effective energy management system is a priority for 2020.  Confluent Health has the potential to generate positive impact for society through various elements (see rationale). Partners Group will work with Confluent Health to further integrate these elements into their operations as well as measure and quantify these positive impacts in 2020 and beyond to further enhance the value of the company	10% annual food waste reduction target, sustainable use of "imperfect" ingredients and left-overs, real-time sales information to optimize stocks and avoid waste
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	More than 20% of the votes were against management and that topic was also discussed in meetings with management. We will continue to vote against management until we feel the incentive plan is reasonable.	See above	Vermaat is on track to meet its target of reducing food waste by 10% per year across its business. In addition to reducing food waste, the company continues to look for ways to further optimize resource utilization and support the circular economy. An outstanding example is Circl, its circular hospitality pavilion created with Dutch bank ABNAMRO in Amsterdam's financial district. Circl is carbon-neutral, and its removable building was designed to have as little impact on the planet as possible. It is built entirely based on circular principles using recycled and re-usable materials.
On which criteria have you assessed this vote to be "most significant"?	Size of holding in fund	Size of the holding in the fund	Size of the holding in the fund

**Partners Group Generations Fund - Most significant votes**

In relation to the Fund named above, which 10 votes (at a minimum) during the reporting period do you consider to be most significant for the Scheme?	Vote4	Vote5	Vote6
Company name	Techem	USIC	Murra Warra Wind Farm
Date of vote	n/a	n/a	n/a
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	n/a	n/a	n/a
Summary of the resolution	<p>Techem completed a review of the waste generated in its headquarters and main regions, designating a dedicated waste commissioner, responsible for its group level waste and recycling management concept.</p> <p>The company also started working on GDPR compliance in January 2018, and significant effort was put into achieving compliance and protecting customer data.</p>	<p>In 2019, USIC continued to make progress on the driver safety and leadership development programs launched in 2018. With support from an external engineering firm, the company also underwent an assessment to identify opportunities to improve health and safety more broadly across the firm.</p>	<p>The project has provided the following benefits to-date: support for local jobs, financial benefits during construction (wages paid flowing to businesses in the region on accommodation, retail and services), economic benefits during construction (revenue generation based on electricity generated by the project), and minimizing negative impact on agricultural activities.</p>
How you voted	Control the board	Control the board	Control the board
Where you voted against management, did you communicate your intent to the company ahead of the vote?	n/a	n/a	n/a
Rationale for the voting decision	<p>Waste management was identified as a key ESG area for Techem, as the company disposes of over 5 million measurement devices annually.</p> <p>GDPR compliance is also an important topic as Techem manages energy consumption data and billing information for over 11 million apartments across Europe.</p>	<p>USIC maintains a fleet of approximately 8'500 trucks, allowing its technicians to travel to each customer site to perform locating services. Accordingly, road accidents present a material health and safety risk to the company.</p>	<p>A wind farm of Murra Warra's size understandably injects strong, visible economic stimulus into the community. Together with partners on the ground, Partners Group pro-actively sought to understand stakeholder interests and concerns, especially the economic impact of the wind farm on local communities, to demonstrate to both public sector and individual stakeholders our commitment to responsible investment.</p>
Outcome of the vote	<p>The waste and recycling management concept consists of a multitude of individual actions (14 in total), including the implementation of several legal requirements (Battery Act, Packaging Act, Electrical and Electronic Equipment Act), the standardization of international processes related to device disposal, staff trainings and documentation.</p> <p>In terms of GDPR compliance, Techem designed a dashboard that included the top 24 most important tasks for the implementation of this complex process, the progress made on each one of them and the potential risks related to each task. As of 30 September 2019, overall implementation was 85% for Germany, the CEE Region, and the West Region.</p> <p>For regulatory compliance, international management participated in a specific compliance workshop regarding leadership, and Managing Directors of the CEE and Middle East region received a 2-hour training session on compliance. Furthermore, specific target audiences in Germany and Poland received different compliance training courses. Almost all Austrian employees have completed a 2-hour compliance training course. An estimated 99% of all Techem employees have completed the</p>	<p>To advance driver safety in 2019, USIC provided computer-based safety training to 1'000 'high risk' drivers. The company also installed Derive software in 8'400 trucks, which caps the trucks' maximum speed at 72 mph to promote safety.</p> <p>USIC's district managers are critical to successful operations in the field. In 2019, the company identified that 15% of its 70 district managers were not performing as desired. To address this issue, USIC enrolled a second cohort of 32 high-potential employees in its leadership development program to cultivate talent to backfill these positions. In total, 56 employees have participated in the program since 2018.</p> <p>USIC also worked with an external provider to conduct a firm wide health and safety assessment and identify key metrics to drive the company towards best practice. The goals of this effort are to improve strategic management of health and safety, reduce the number of serious injuries among employees, and maintain health and safety performance that is in the top quartile for the industry. Following this assessment USIC has identified specific next steps, including staffing a health and safety team, building out a risk management information system, and implementing</p>	<p>185 full-time jobs supported, AUD 61,000 community benefit fund to be established, AUD 4.4 million generated for regional businesses</p>
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<p>The target for the waste and recycling management concept is to have all legal requirements at least 75% implemented by July 2020.</p>	<p>One of the Health and Safety metrics USIC is working to improve is Lost Time Incident Rate (LTIR) and has set a goal of 0.45. During the reporting period, the company's LTIR was 0.61. This is because the supervisor-to-employee ratio was not aligned to previous business cycles, which meant more employees were out in the field than ever before for this time of year and impacted supervisors' span of control over health and safety. Managing this challenge is a key priority for USIC in 2020.</p>	<p>Partners Group will continue to engage with the local communities, including setting up partnerships for local education on renewable energy. In addition, we are currently exploring conducting similar economic impact studies for all our direct infrastructure assets to strengthen and inform best practices for stakeholder engagement.</p>
On which criteria have you assessed this vote to be "most significant"?	Size of the holding in the fund	Size of the holding in the fund	Size of the holding in the fund



**Partners Group Generations Fund - Most significant votes**

In relation to the Fund named above, which 10 votes (at a minimum) during the reporting period do you consider to be most significant for the Scheme?	Vote7	Vote8	Vote9
Company name	80 Fenchurch	Project Cascadian – a high-tech office space	Berlin Office Portfolio
Date of vote	n/a	n/a	n/a
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	n/a	n/a	n/a
Summary of the resolution	<p>80 Fenchurch is targeting an 'Excellent' rating under the Building Research Establishment Environmental Assessment Method (BREEAM), which is an assessment and certification scheme designed to help building managers improve the environmental aspect of new and existing buildings.</p> <p>In September 2019, 80 Fenchurch's construction site conducted its third Considerate Constructors Scheme (CCS) audit. The Code of Considerate Practice is designed to encourage best practices in minimizing a construction site's impact on its surroundings.</p> <p>As part of Partners Group's assignment of a new development and asset manager, we have also rolled-out our incident reporting policy and procedure.</p>	<p>For Cascadian, Partners Group achieved LEED BD+C pre-certification at the Platinum level, a leading sustainability accreditation that applies to buildings that are being newly constructed or under heavy renovation. One of Cascadian most notable features is its highly energy efficient design exemplified by strategies like high-performance glazing to retain heat and regenerative elevators that exert energy back into the system when the cab is descending. The building is also designed to have a 92 kW photovoltaic array on the rooftop, and a 4 kW glass-canopy array over the roof deck. The project prioritizes building materials made of recycled content and diverts construction waste from the landfill.</p>	<p>Improved tenant comfort, optimized water consumption, increased safety and compliance with relevant legislation</p>
How you voted	Control the board	Control the board	Control the board
Where you voted against management, did you communicate your intent to the company ahead of the vote?	n/a	n/a	n/a
Rationale for the voting decision	<p>As owners, we consider sustainable operations and management of our assets an important obligation and a great opportunity. For instance, the BREEAM certification is a key differentiation factor for prospective tenants.</p>	<p>Seattle is a growing tech hub and home to companies looking for well-designed and environmentally sustainable office space for their employees. The city's progressive building policies make it an attractive market for responsible asset managers experienced in sustainability, while creating high barriers to entry for those who are not.</p>	<p>Implementing such strategies help increase asset value to attract tenants</p>
Outcome of the vote	<p>All modifications made to the project considered the BREEAM rating target and maintained it.</p> <p>80 Fenchurch scored 39 out of 50 in the CCS audit, achieving excellent performance in four of the five core scoring sections. The audit highlighted that the site continues to set high standards in all checklist sections, including a note on its robust system for the removal and recycling of waste.</p>	<p>22% lower energy consumption than city building guidelines, 92 kW photovoltaic array on rooftop</p>	<p>In City Campus, one of the assets in the portfolio, a new canteen was completed to improve tenant comfort. Water consumption was optimized as part of the construction works, by fixing the entry point for the water supply.</p> <p>When the asset was acquired, there was a hole in the ground and a bridge going across it. This situation was deemed unsafe, and during the reporting year this hole was filled up and the bridge removed. As a result, tenants now have a greener and safer area to enjoy.</p> <p>In order to increase safety and comply with relevant legislation, a new fire safety system was installed, connecting the asset directly to the fire fighters station. Works also included setting up new doors, a new emergency plan, and a new ventilation system.</p>
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<p>80 Fenchurch is on track to obtain the 'Excellent' rating certification after construction is completed.</p>	<p>Throughout the construction of Cascadian, we will closely monitor the achievement of the building's sustainable design elements and focus on identifying additional energy efficiency measures. Once the office space is constructed, we will onboard it into our resource management platform for all our actively managed real estate assets.</p>	<p>See above</p>
On which criteria have you assessed this vote to be "most significant"?	Size of the holding in the fund	Size of the holding in the fund	Size of the holding in the fund