

Implementation Statement

Martin-Baker Pension Scheme

Scheme year ended 30 September 2023

Purpose of this statement

This implementation statement has been produced by the Trustees of the Martin-Baker Pension Scheme (“the Scheme”) to set out the following information over the year to 30 September 2023:

- how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities as follows:

“The Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees’ rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.”

The SIP was last reviewed in February 2023 and has been made available online here:

<http://www.martinbakerpensions.com/statement-of-investment-principles/>

The Trustees have delegated the exercise of rights attaching to investments, including voting rights and undertaking engagement activities, to the Scheme’s investment managers.

The Trustees decided not to set stewardship priorities for the Scheme. The Scheme solely invests through pooled investment vehicles where the Scheme’s asset only represents a small proportion of the capital invested in the funds. The Trustees understand that they are constrained by the policies of the managers.

The Scheme currently does not hold any assets with voting rights attached. Given the Scheme’s progress towards buying-out its liabilities with an insurer, the Trustees have decided not to set stewardship priorities. However, the Trustees take the stewardship priorities, climate risk, and ESG factors into account at manager selection. The Trustees also review the stewardship and engagement activities of the investment managers annually.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers. Over the year to 30 September 2023, the following investment managers were appointed by the Trustees to carry out the day-to-day investment of the Scheme assets:

- Legal and General Investment Management ("L&G")
- Abrdn
- M&G Investments

The Scheme disinvested from the L&G Global Equity (60:40) Index Fund in January 2023 and from the Abrdn Diversified Growth Fund in February 2023.

Set out below is a table of the Scheme's funds:

Asset class	Fund name
Equities	L&G Global Equity (60:40) Index Fund*
Diversified Growth	Abrdn Diversified Growth Fund*
Property	M&G Investments Property Fund
Corporate bonds	M&G Investments Long Dated Corporate Bond Fund
Gilts	L&G Over 5 Year Index-Linked Gilts Index Fund
	L&G Under 15 Year Index-Linked Gilts Index Fund
	L&G Over 15 Year Gilts Index Fund
	L&G Buy and Maintain Credit Fund

* The Scheme fully disinvested from both funds in early 2023.

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their 5 November 2019 meeting and were satisfied that their policies were reasonable and no remedial action was required at that time.
- Annually the Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with their own policies. The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members' best interests. This exercise was undertaken in November 2023.
- The Trustees invested in three new funds with Legal & General over the year. Stewardship was considered as part of the manager selection exercise, alongside all other material factors.

**Prepared by the Trustees of the Martin-Baker Pension Scheme
November 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to 31 December 2022, prior to the Scheme's full disinvestment in early 2023. The property, corporate bond and gilt funds with M&G and L&G have no voting rights and limited ability to engage with key stakeholders given the nature of the mandates.

Manager	Abrdn	L&G
Fund name	Diversified Growth Fund	Global Equity (60:40) Index Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
No. of eligible meetings	605	3,197
No. of eligible votes	8,561	40,837
% of resolutions voted	97.5%	99.8%
% of resolutions abstained¹	0.6%	0.1%
% of resolutions voted with management¹	86.3%	82.0%
% of resolutions voted against management¹	13.1%	17.9%
Proxy voting advisor employed	ISS where Abrdn has a bespoke policy in place	L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G
% of resolutions voted against proxy voter recommendation	9.3%	12.1%

¹ As a percentage of the total number of resolutions voted on

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities/themes.

At this time, the Trustees have not set stewardship priorities/themes for the Scheme. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy.

Abrdn and L&G have provided votes which they believe to be significant, and in the interest of concise reporting the tables below show 3 of these votes for each fund. Both managers publish their voting record online:

- Abrdn: <https://www.abrdn.com/en-us/investor/sustainable-investing/voting>
- L&G: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

A summary of the significant votes provided is set out below.

Abrdn, Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	KLA Corporation	General Mills, Inc.	Berkeley Group Holdings Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Abrdn are currently unable to provide this data, however the team have notified us that they are currently exploring potential solutions.		
Summary of the resolution	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	Report on Absolute Plastic Packaging Use Reduction	Approve Remuneration Policy
How the manager voted	For	For	Against
Rationale for the voting decision	<p>The Company has yet to set a target for reducing Scope 3 emissions. The Company also lags its peers by not participating in the SBTi.</p> <p>While the Company is in the process of developing a decarbonisation strategy for its Scope 3 emissions, there is no guarantee that this strategy would be in line with the Paris Agreement. As such, the proposal will help make sure that the Company's climate transition plan is aligned with the Paris Agreement.</p>	<p>The environmental impacts of plastic are a growing societal concern, with regulators taking action in multiple jurisdictions. While the company's targets on recycled packaging are strong, information on absolute plastic packaging would help shareholders to better assess potential risks and competitive positioning.</p>	<p>Abrdn voted against this resolution as the new remuneration policy would facilitate the generous one-off Long-Term Incentive Plan(LTIP) award.</p>

	Vote 1	Vote 2	Vote 3
Outcome of the vote	<i>Data not provided</i>		
Implications of the outcome	Due to the concentration of votes that Abrdn conduct, they do not track specific next steps/implications for each vote. Abrdn will assess each company and the voting outcomes on a case by case basis. Where necessary they may follow up after a vote to encourage improvement where it is needed in advance of future general meetings. Abrdn will continue to monitor the company to ensure sufficient progress against any material issue(s) is being made. If Abrdn have serious concerns around a company's approach to certain issues they can and may deploy a number of other escalation strategies.		
Criteria on which the vote is considered "significant"	Shareholder proposals where Abrdn have voted contrary to management recommendations.	Shareholder proposals where Abrdn have voted contrary to management recommendations.	Focus on votes which reflect significant governance concerns regarding the company.

L&G, Global Equity (60:40) Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Rio Tinto Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.1%	1.9%	1.6%
Summary of the resolution	Approve the Shell Energy Transition Progress Update	Approve Net Zero - From Ambition to Action Report	Approve Climate Action Plan
How the manager voted	Against	For	Against
Rationale for the voting decision	L&G acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, they remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	While L&G note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, L&G expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is L&G's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened.	L&G recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, L&G remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
Outcome of the vote	Pass	Pass	Pass

	Vote 1	Vote 2	Vote 3
Implications of the outcome	L&G will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	L&G considers this vote significant as it is an escalation of their climate-related engagement activity and public call for high quality and credible transition plans to be subject to a shareholder vote.		

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by the managers of the Scheme's growth portfolio, over the year to 31 December 2022, prior to the Scheme's disinvestment in January 2023.

Manager	Legal and General	Abrdn
Fund name	Global Equity (60:40) Index Fund	Diversified Growth Fund
Number of entities engaged on behalf of the holdings in this fund in the year	488	Data not available
Number of entities engaged at a firm level in the year	585	1,443

The table below provides a summary of the engagement activities undertaken by M&G and L&G on behalf of the bond funds over the year to 30 September 2023. Engagement activities are limited for the Fund's gilt funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown. The engagement information of the M&G Property Fund is also not shown because the Fund is in the process of winding-up.

Manager	M&G Investments	Legal and General
Fund name	Long Dated Corporate Bond Fund	Buy and Maintain Credit Fund
Number of entities engaged on behalf of the holdings in this fund in the year	1	17*
Number of entities engaged at a firm level in the year	180	2,164

Note: The Fund Level engagement statistics for the L&G Buy and Maintain Fund are provided on an annual basis, relating to the 12-month period to 31 December 2022.

Examples of firm level engagement activity undertaken over the year to 31 December 2022

The table below provides an example engagement for each of the relevant funds over the periods outlined in the previous section.

Manager and mandate	Example engagement
Legal and General*	Kansai Electric Power: Kansai Electric Power is one of the largest electric utilities companies in Japan. L&G identified several governance areas for improvement and the company appears to lag some of L&G's minimum expectations on board composition. L&G met with the company to discuss these areas in detail

Manager and mandate	Example engagement
	<p>to better understand its approach to governance and climate, in addition to talking in-depth about related areas (such as responsibility for executing the net zero transition plan). They felt their meeting with the company was productive and they look forward to working with the management more closely on both governance and climate change going forwards, alongside gaining a deeper understanding of the reasons behind its decisions and actions.</p>
Abrdn*	<p>SSE: In early 2022, SSE consulted Abrdn on changes to its Performance Share Plan (PSP). The Remuneration Committee proposed to increase the PSP maximum award level from 200% of salary to 250% of salary. At the time, Abrdn informed the company that they would be uncomfortable with an increase in the context of the cost-of-living crisis, which was beginning to develop. When coming to vote at the AGM, it was noted that the PSP award level had been increased in line with the initial proposal. Abrdn therefore voted against the revised Remuneration Policy and the amendment to the Performance Share Plan. At the meeting, all resolutions passed. Abrdn will review the level of grant made in 2022 following this change, prior to reaching their voting decision at the 2023 AGM.</p>
M&G Investments	<p>Gatwick Airport: M&G engaged with Gatwick airport to try and get them to measure and report their Scope 3 emissions related from "Cruise emissions", i.e., emissions from planes when flying, that have departed Gatwick Airport. In June 2023 Gatwick revealed that they measure their Cruise emissions, but don't publicly report on the figure yet. Resulting from the call with M&G, they said that ahead of their "Decade of Change Report" they would speak to the relevant teams about including these emissions in the report. In July, Gatwick decided to report Cruise emissions in their "Decade of Change Report" for the first time.</p>

**L&G and Abrdn only provide firm-level examples, rather than fund-specific examples*