Implementation Statement, covering the Scheme Year from 1 January 2020 to 31 December 2020

The Trustee of the Stena (2016) Retirement Benefits Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This information is provided in Section 3.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was May 2019.

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

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

In February 2020, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the managers' approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020. The Trustee was satisfied with the results of the review and no further action was taken. The Trustee has continued to monitor LCP's qualitative assessments for each of the Scheme's funds through the quarterly reporting provided by LCP.

In November 2020, the Trustee reviewed the ESG characteristics of the Scheme's equity, diversified growth and emerging market funds, including information on climate and governance risk. The Trustee decided to reduce the Scheme's overall exposure to climate-related risk by switching the majority of the Scheme's passive equity holdings to the L&G Low Carbon Transition funds (climate-tilted passive equity funds). This change was made following the end of the 2020 Scheme Year once the funds were launched and available for the Scheme to invest in in early 2021.

When L&G presented to the Trustee on the Low Carbon Transition Fund in November 2020, the Trustee asked several questions about the managers' voting and engagement practices and were satisfied with the answers they received.

3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated the exercise of voting rights to its investment managers. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

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

- Artisan Global Equity Fund;
- Baillie Gifford Diversified Growth Fund;
- Capital Group Emerging Markets Total Opportunities Fund ("ETOP");
- L&G All World Equity Index Fund;

- L&G World Equity Index Fund; and
- Morgan Stanley Global Opportunity Fund.

Artisan was unable to identify significant votes or provide information to help the Trustee assess the significance of votes itself. As a result, the most significant votes taken by Artisan in the Global Equity Fund are not included in Section 3.3.

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

In addition to the above, the Trustee contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting or engagement opportunities over the period. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes (based on information provided by the Scheme's managers)

Artisan

Artisan, in general, will vote proxies solicited by or with respect to the issuers of securities held in the manner that, in its view, is in the best economic interests of its clients as shareholders in accordance with the standards described in the firm's Proxy Voting Policy.

Artisan has appointed Institutional Share Services ("ISS") to:

i) make recommendations to Artisan of proxy voting policies for adoption by Artisan;

ii) perform research and make recommendations to Artisan as to particular shareholder votes being solicited;

iii) perform the administrative tasks of receiving proxies and proxy statements, marking proxies as instructed by Artisan and delivering those proxies;

iv) retain proxy voting records and information; and

v) report to Artisan on its activities.

In addition to ISS, Artisan has engaged additional service providers, Glass, Lewis & Co ("Glass Lewis") and ZD Proxy Shareholder Services Ltd., to perform research and make recommendations to Artisan as to particular shareholder votes being solicited.

Baillie Gifford

All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with the portfolio managers.

Baillie Gifford utilises proxy advisers' voting recommendations (ISS, Glass Lewis and specialist proxy advisors in Chinese and Indian markets) but does not outsource its stewardship activities or rely upon their recommendations when deciding how to vote. All client voting decisions are made in-house in line with Baillie Gifford's Governance & Sustainability Principles and Guidelines.

Baillie Gifford's strong preference is to be given the responsibility to vote on behalf of its clients, stating that "the ability to vote our clients' shares strengthens our position when engaging with investee companies", and endeavours to vote every client holding in all markets.

Baillie Gifford does not regularly engage with clients prior to submitting votes but it may reach out to clients prior to voting if a vote is particularly contentious.

Capital Group

Capital Group votes according to its internal proxy voting guidelines and does not typically follow any outside entity's guidelines. Capital does not consult with clients before voting.

Capital Group votes on proxies provided there is sufficient time and information available. After a proxy is received, a summary of the proposals contained in the proxy is prepared and a discussion of any potential conflicts of interest is included in the summary. The proxy summary and voting recommendations are typically prepared by the relevant investment analyst(s) and proxy coordinators and made available to the appropriate proxy voting committee for a final voting decision. Proxies for the funds are voted by the appropriate investment committee of

Capital Group's equity investment divisions under delegated authority. Therefore, if more than one fund invests in the same company, certain funds may vote differently on the same proposal.

ISS is used for electronic vote execution services only; Capital Group does not follow proxy advisers' vote recommendations in order to reach its own vote decision. Each proxy ballot is reviewed by the Governance and Proxy team who facilitate the proxy voting process. Capital Group relies primarily on its own proprietary research in evaluating companies. To provide supplementary analysis of resolutions at shareholder meetings, Capital Group may review proxy research from third party vendors. Voting decisions are made according to its internal voting policies and Capital Group Investment Analysts' recommendations, with the final decision being made by the Proxy Voting Committee of the relevant division who oversee the voting process.

L&G

All voting decisions are made by L&G's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, with the aim of fully integrating engagement into the vote decision and sending consistent messaging to companies.

L&G uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares and augments its own research and proprietary ESG assessment tools. All decisions are made by L&G and it does not outsource any part of the strategic decisions. To ensure its proxy provider votes in accordance with its position on ESG, L&G has put in place a custom voting policy with specific voting instructions that apply to all markets globally. The Investment Stewardship team retains the ability to override any vote decisions that were based on its custom voting policy, for example due to additional information gained when engaging with a firm, and monitors votes including a regular manual check of votes that have been input on the ProxyExchange platform.

L&G holds an annual stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the Investment Stewardship team. The views expressed at the roundtable form a key consideration in the development of L&G's engagement policies, which are reviewed on an annual basis, with ad-hoc feedback also being taken into account.

Morgan Stanley

Morgan Stanley aims to vote proxies in a prudent and diligent manner and in the best interests of clients, including beneficiaries of and participants in a client's benefit plan for which Morgan Stanley manage assets, consistent with the objective of maximizing long-term investment returns. In addition to voting proxies at portfolio companies, Morgan Stanley routinely engages with the management or board of companies in which it invests on a range of environmental, social and governance issues. Morgan Stanley does not consult with clients before voting securities held in pooled vehicles.

Morgan Stanley has retained research providers to analyse proxy issues and to make vote recommendations on those issues. While it reviews the recommendations of one or more research providers in making proxy voting decisions, Morgan Stanley notes that it is in no way obligated to follow such recommendations. Morgan Stanley votes all proxies based on its own proxy voting policies in the best interests of each client. In addition to research, ISS provides vote execution, reporting, and record-keeping services to Morgan Stanley.

Morgan Stanley tracks potential conflicts of interest and votes in line with the proxy voting policy or may abstain to avoid any potential conflicts.

3.2 Summary of voting behaviour over the Scheme Year

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

Manager name	Artisan	Baillie Gifford	Capital Group	L&G	L&G	Morgan Stanley
Fund name	Global Equity Fund	Diversified Growth Fund	Emerging Markets Total Opportunities Fund	All World Equity Index Fund	World Equity Index Fund	Global Opportunity Fund
Total size of fund at end of reporting period	£257m[1]	£6,295m	£871m[1]	£4,326m	£518m	£15,292m[1]
Value of Scheme assets at end of reporting period	£5.6m	£13.7m	£27.2m	£16.2m	£25.2m[2]	£16.6m[1]
Number of holdings at end of reporting period	84	86	114	4,018	2,608	38
Number of meetings eligible to vote	92	97	170	6,491	3,153	37
Number of resolutions eligible to vote	1,120	877	1470	68,198	37,893	397
% of resolutions voted	89.6	94.5	100.0	99.6	99.5	100.0
Of the resolutions on which voted, % voted with management	96.2	92.9	88.0	83.4	81.6	94.0
Of the resolutions on which voted, % voted against management	3.7	5.7	8.4	15.7	17.9	6.0
Of the resolutions on which voted, % abstained from voting	0.1	1.5	3.5	0.8	0.6	0.0
Of the meetings in which the manager voted, % with at least one vote against management	30.9	17.5	29.4	5.5	5.9	32.0
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	7.1	N/a[3]	N/a[3]	0.2	0.3	8.0

May not sum due to rounding.
[1]Converted to GBP from USD using the exchange rate as at 31 December 2020.
[2]Converted to GBP from EUR using the exchange rate as at 31 December 2020.
[3]Baillie Gifford and Capital were not able to provide this data, noting that they do not rely on the recommendations of proxy research firms when voting.

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. We have interpreted "most significant votes" to mean those provided by the investment managers. Artisan was unable to identify significant votes or provide information to help the Trustee assess the significance of votes itself

Baillie Gifford

Baillie Gifford outlined a range of voting situations that it considers to be significant. These include: votes where Baillie Gifford's holding had a material impact on the outcome; resolutions which received 20% or more opposition

and Baillie Gifford opposed, or received 20% or more support and Baillie Gifford supported; voting relating to egregious remuneration, significant audit failings or controversial equity issuance; and where Baillie Gifford opposed mergers and acquisitions, financial statements, or the election of a director.

Diversified Growth Fund

- **EDP Renovaveis, Spain, 26 March 2020. Vote:** Against

  Summary of resolution: Approval of the appointment of a director.

  Rationale: Baillie Gifford opposed the election of a director due to a lack of independence and diversity on the board. Baillie Gifford has taken action on the election of directors at EDP Renovaveis since 2018 due to concerns regarding the attendance record of some directors, a lack of board independence and diversity. Baillie Gifford has spoken to the company a number of times regarding these concerns and noted that it will continue raise the issue and take action where possible. The final outcome of the vote on this resolution was that it was passed.

- **Covivio REIT, France, 22 April 2020. Vote:** Against

  Summary of resolutions: Approval of remuneration policies and reports (x5).

  Rationale: Baillie Gifford opposed five resolutions regarding the current and proposed long term incentive scheme due to a belief that it could lead to rewarding under-performance. Following the meeting, Baillie Gifford informed the company of its voting decision and advised that it expects more stretching performance criteria to apply to long term incentives going forwards. Baillie Gifford noted that it is yet to see improvements in the targets and will continue its dialogue with the company and to take appropriate voting action. The final outcome of the votes on these resolutions was that they were passed.

- **Gecina, France, 23 April 2020. Vote:** Against

  Summary of resolutions: Approval of remuneration policies and reports (x3).

  Rationale: Baillie Gifford opposed three resolutions relating to remuneration as it did not believe there was sufficient alignment between pay and performance. Baillie Gifford has been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. Baillie Gifford noted that it is yet to see improvements in the remuneration plan and will continue to engage with the company to advise on areas for improvement. The final outcome of the vote on this resolution was that it was passed.

Capital Group

Capital outlined a range of voting situations that it considers to be significant. These include: votes against management; shareholder proposals; controversial proposals determined on a case by case basis; and activities that are best representative of its companies stewardship policies.

Emerging Markets Total Opportunities Fund

- **First Abu Dhabi Bank, UAE, 24 February 2020. Vote:** Against

  Summary of resolution: Approval of the appointment of the auditors and authorisation of their fees.

  Rationale: Capital voted against the resolution as it believed that the payment to statutory auditors may undermine their role as shareholder representatives and there was no disclosure on the aggregate payment amount. The final outcome of the vote on this resolution was that it was passed.

- **Hugel, Inc, Korea, 27 March 2020. Vote:** Against

  Summary of resolution: Approval of the election of a Director.

  Rationale: Capital voted against the resolution as it believed that board independence levels were not sufficient. The final outcome of the vote on this resolution was that it was passed.

- **CCR SA, Brazil, 9 April 2020. Vote:** Against

  Summary of resolution: Approval of the resolution to increase the number of Directors to 13.

  Rationale: Capital voted against the resolution as it did not believe that the increase in Board size was justified. The final outcome of the vote on this resolution was that it was passed.

L&G

L&G outlined a range of voting situations that it considers to be significant. These include: high profile votes which have such a degree of controversy that there is high client and/or public scrutiny; votes where there is significant client interest for a vote which has been directly communicated by clients to the Investment Stewardship team; sanction votes as a result of a direct or collaborative engagement; and votes linked to an L&G engagement campaign in line with its 5-year ESG priority engagement themes.

All World Equity Index Fund

- **International Consolidated Airlines Group, Spain, 7 September 2020. Vote:** Against

  Summary of resolution: Approval of the remuneration report for the year ending 31 December 2019.

  Rationale: The airline company's financial performance and business model were negatively impacted by the COVID-19 crisis and its consequences on international transport. L&G engaged with and encouraged the board to demonstrate restraint and discretion with its executive remuneration, noting that the company cut its workforce by 30%, took up support under various government schemes and withdrew its dividend for 2020. L&G was concerned about the level of bonus payments (based on the year ending 31 December 2019 and paid in 2020) which were 80% to 90% of their salary for current executives and 100% of salary for the departing CEO. L&G noted that it would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company and also to reflect the stakeholder experience (employees and shareholders). The final outcome of the vote on this resolution was that it was passed.

- **WhiteHaven Coal, Australia, 22 October 2020. Vote:** For

  Summary of resolution: Shareholder resolution requesting that the company disclose, in subsequent annual reporting, a plan that demonstrates how the company will wind up its coal production assets and operations in a manner consistent with the climate goals of the Paris Agreement.

  Rationale: L&G voted for the resolution due to a belief that the role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy as well as increased regulation. L&G is in favour of a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. The final outcome of the vote on this resolution was that it was not passed.

- **Medtronic plc, USA, 11 December 2020. Vote:** Against

  Summary of resolution: Approval of the remuneration of named executive officers.

  Rationale: Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for not receiving a bonus during the financial year. L&G voted against the one-off payment as it is not supportive of one-off rewards in general and in particular as these rewards were to compensate for a lack of bonus which was not paid as the performance criterion was not met. Prior to the vote, L&G engaged with the company and communicated its concerns over one-off payments. The final outcome of the vote on this resolution was that it was passed.

World Equity Index Fund

- **Pearson, UK, 18 September 2020. Vote:** Against

  Summary of resolution: Approval of the amendment to the remuneration policy.

  Rationale: The company put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company

confirmed that the proposed new CEO would not take up the CEO role. Shareholders were not able to vote separately on the two distinctly different items and felt forced to accept a less-than-ideal remuneration structure for the new CEO. Prior to the meeting, L&G relayed its concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. L&G asked that the post-exit shareholding requirements were reviewed to be brought into line with its expectations for UK companies. In the absence of any changes, L&G took the decision to vote against the amendment to the remuneration policy. The final outcome of the vote on this resolution was that it was passed.

- **The Procter & Gamble Company, USA, 13 October 2020. Vote:** For

  Summary of resolution: Report on effort to eliminate deforestation.

  Rationale: P&G uses both forest pulp and palm oil as raw materials within its household goods products, both considered leading drivers of deforestation and forest degradation. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of its palm oil suppliers were linked to illegal deforestation calling into question its due diligence and supplier audits. In addition, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp; only FSC certification offers guidance on land tenure, workers', communities' and indigenous people's rights and the maintenance of high conservation value forests. L&G engaged with P&G, Green Century (the proponent of the resolution) and Natural Resource Defence Counsel to fully understand the issues and concerns and decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, L&G felt that it was not doing as much as it could. The final outcome of the vote on this resolution was that it was passed.

- **Qantas Airways Limited, Australia, 23 October 2020. Vote:** For

  Summary of resolution: Approval of the Renumeration Report.

  Rationale: COVID-19 had a negative impact on the Australian airline's financials, leading to the company raising significant capital to be able to execute its recovery plan, as well as cancelling dividends, terminating employees and accepting government assistance. This triggered extra scrutiny from L&G as it wanted to ensure the impact on the company's stakeholders was appropriately reflected in the executive pay package. L&G supported the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan in light of the pandemic. The final outcome of the vote on this resolution was that it was passed.

Morgan Stanley

Morgan Stanley considers votes against management or in support of shareholder resolutions as potentially significant. We have set out some examples of significant votes taken in the fund over the period below.

Global Opportunity Fund

- **Spotify Technology SA, Luxembourg, 22 April 2020. Vote:** Against

  Summary of resolution: Approval of remuneration.

  Rationale: Morgan Stanley voted against this resolution due to concerns with granting stock options or any other performance-based compensation to non-executive board members. The final outcome of this vote is that it was passed

- **Moncler SpA, Italy, 11 June 2020. Vote:** Against

  Summary of resolution: Approval of remuneration.

  Rationale: Morgan Stanley voted against this resolution due to concerns surrounding compensation structure. The final outcome of this vote is that it was passed.

- **Zoom Video Communications, Inc., USA, 18 June 2020. Vote:** Against

  Summary of resolution: Approval of the election of a director.

  Rationale: Morgan Stanley voted against this resolution due to concerns surrounding poor meeting attendance by the prospective director. The final outcome of this vote is that it was passed.

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but may have had voting and engagement opportunities over the period.

Barings Global High Yield Credit Strategies Fund

Barings has provided some engagement examples for its credit investments which we have set out below.

- Barings held underweight positions in a loan issuer (jewellery retailer). In March 2020, the company paid a €52m dividend out of the group which was permitted under the loan facilities agreement. Barings viewed this as very poor corporate governance as the dividend payment was made at a point in time when the company knew there was potential for significant upcoming disruption to business operations due to COVID-19. Barings engaged with senior management and sponsors to demand repayment of the dividend into the business. Barings also leveraged its scale as a significant lender to make its consent to a separate company amendment request to waive an excess cash flow repayment contingent on the cash being put back into the business. Ultimately, this engagement proved successful with sponsors and management making an irrevocable written commitment to repay the dividend into the business.

- Another engagement example in the fund related to a leading global manufacturer of hearing aids, which has a fairly large emerging market manufacturing footprint but does not provide any disclosure around its labour remuneration, rights and working conditions in those geographies. Barings reached out to management in order to request some disclosure around these factors, as well as starting to disclose the proportion of labour based in each geography so it is better able to track this going forward. The company confirmed that it adheres to local minimum waves and conducts regular compensation benchmarking in their key markets to remain competitive for talent joining or existing employees. Barings is now engaging with the company around it can improve this disclosure going forward.

Janus Henderson Multi Asset Credit Fund

Janus Henderson has provided some engagement examples for its credit investments which we have set out below.

- During the first quarter of 2020, Volkswagen AG solicited feedback on its "Green Finance Framework", which links its corporate objective of carbon neutrality with its financing strategy. Janus Henderson engages in regular dialogue with the issuer, which supported its view that Volkswagen AG is a leader in the electrification of the automobile sector and well positioned versus peers. As part of its feedback, Janus Henderson recommended that sustainability targets were embedded within executive compensation schemes.

- Janus Henderson engaged with Upfield on ESG issues – centred around non-sustainable palm oil and plastics use – in early 2019. The company confirmed it had become a member of the Roundtable on Sustainable Palm Oil and was working to source only certified sustainable palm oil by the end of 2019. Upfield confirmed in August 2020 that it has achieved 100% sustainable palm oil usage, with Roundtable on Sustainable Palm Oil certification and satellite tracking of its supply chain in line with other food producers. The group has also started producing some products with paper packaging rather than just using plastic, and already uses 100% sustainably sourced soy-related ingredients.

Partners Group Multi Asset Credit (2016) Fund

Partners Group has provided some engagement examples for its debt investments which we have set out below.

- **Cote Bistro**

  Partners Group entered restructuring negotiations with Cote Bistro's owner, BC Partners, in July 2020. The outcome of these negotiations was BC Partners agreeing to transfer ownership in Côte Brasseries to Partners Group in return for new liquidity in August 2020.

- **DBI Services**

  Partners Group took an active board and ownership role following the comprehensive debt restructuring of DBI Services in 2019. Since this change, the company has made significant operational and financial progress.