Implementation Statement for the Gulf Air Retirement Benefits Scheme

Purpose of this statement

This statement has been produced by the Trustee of the Gulf Air Retirement Benefits Scheme for the purpose of monitoring how the policies set out in the Scheme's Statement of Investment Principles (SIP) have been followed over the year to 31 December 2020. It sets out:

- The extent to which the policies set out in the SIP have been followed during the period, as well as describing and explaining the review of the SIP that took place in September 2020;
- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year; and,
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year.

How the SIP has been followed over the year

In the Trustee's opinion, the Statement of Investment Principles has been followed over the year. Some key reasons for that opinion are given below, albeit excluding comments on voting and engagement that are considered later in this statement.

Defined Benefit ("DB") section

- The Trustee monitors the performance of the Scheme's funds quarterly to ensure that the funds are meeting their stated objectives. Our Investment Consultant provides quarterly reports for review.
- The Trustee reviews the ESG capabilities of the managers annually as part of the monitoring process.
- The Trustee reviewed the investment strategy during the period, following which the SIP was updated to reflect changes. The Trustee considered the ESG capabilities of the new funds alongside other material factors. The implementation of the changes was still underway at the end of the period.
- The key changes to the strategy and the SIP arising from this review include the introduction of a Liability Driven Investment ("LDI") portfolio, a Multi Asset Credit ("MAC") fund, and an Absolute Return Bond ("ARB") fund. Once implementation has been completed, the Scheme will no longer invest in the LGIM Core Plus and LGIM Gilt funds. These changes are expected to reduce investment risk whilst broadly maintaining investment returns to reduce the deficit identified by the most recent Actuarial Valuation. These changes are therefore expected to help the Trustee meet its ultimate objective to ensure that members' benefits are paid as they fall due.

Defined Contribution ("DC") section

- The Scheme does not offer members of its DC section a default strategy, as defined in the regulations. This recognises that the DC section is not used as a qualifying scheme for auto enrolment purposes and there have been no contributions paid into it since 2007.
- All DC benefits are invested in the Prudential With-Profits Fund. This is reviewed periodically to ensure that the fund is performing in line with expectations and remains consistent with the investment aims and objectives for the DC section of the Scheme.
- The Trustee monitors the performance of Prudential on an ongoing basis, including the annual Value for Members assessment prepared by the Trustee as part of the Chair's Statement.
- The Statement of Investment Principles was last reviewed in September 2020. No changes were made in relation to the DC section at that time.

How voting and engagement policies have been followed

At the Scheme year-end, the Scheme's investment managers were: Baring Asset Management Limited (Barings) and Legal and General Investment Management (LGIM). The Trustee believes that their policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- The Trustee's most recent review of the stewardship and engagement activities of their managers has been carried out alongside the preparation of this report and as part of the recent manager selection exercise. The Trustee is satisfied that the fund managers' policies are reasonable and aligned with the SIP. The Trustee is satisfied that no remedial action is required.

Further information on voting and engagement can be found in the remainder of this document.

This statement was approved by The Trustee of the Gulf Air Retirement Benefits Scheme on 9 July 2021

Voting Data

This section provides a summary of the voting activity undertaken by the fund managers on behalf of the Scheme over the year to 31 December 2020.

Only three of the funds invested in by the Scheme during the period invest in asset classes that provide voting rights (namely equities). There are no voting rights attached to the Scheme's investments with LGIM's Over 5 Year Index-Linked Gilts Fund, Over 15 Year Gilt Fund and Core Plus Fund. Therefore no voting data is shown for these assets. Voting data for the relevant funds are summarised in the table below.

Manager	Barings (DB section)	LGIM (DB section)	Prudential (DC section)
Fund name	Barings Multi Asset Fund	Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged	Prudential With-Profits Fund*
Structure		Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
Number of meetings the manager was eligible to vote at	104	7,188	2,181
Number of resolutions the manager was eligible to vote on	1,196	77,223	28,798
Percentage of resolutions the manager voted on	97%	100%	82%
Percentage of votes that were abstentions	0.4%	0.7%	1%
Percentage of votes that were *with* management	93%	85%	93%
Percentage of votes that were *against* management	6%	15%	7%
Proxy voting advisors (if applicable)	ISS	ISS	ISS, Glass Lewis (varies by fund manager)
Percentage of votes contrary to the recommendation of the proxy advisor	0.4%	0.2%	3%

*The Prudential With-Profits Fund is managed by M&G Treasury and Investment Office (M&G T&IO) who have appointed a number of fund managers to manage the assets of the fund. These fund managers include M&G Investment Management, EastSpring Investments, Prudential Portfolio Managers America, and Prudential Investment Managers South Africa.

Significant votes

A summary of the data the fund managers have provided is set out below. For the first year of implementation statements we have delegated to the investment managers to define what a "significant vote" is. The rationale is included in the table below.

LGIM Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged

	Vote 1	Vote 2	Vote 3
Company name	Qantas Airways Limited	Whitehaven Coal	International Consolidated Airlines Group
Date of vote	23-Oct-20	22-Oct-20	07-Sep-20
Summary of the resolution	Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4: Approve Remuneration Report	Resolution 6: Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders	Resolution 8: Approve Remuneration Report
How the manager voted	LGIM voted against resolution 3 and supported resolution 4	LGIM voted for the resolution	LGIM voted against the resolution.
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	During ongoing engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as their 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 LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics
Rationale for the voting decision	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from	The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon	The COVID-19 crisis has negatively impacted this airline company's financials. LGIM sent a private letter to the company to state their support during the pandemic. LGIM encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of

	Vote 1	Vote 2	Vote 3
	LGIM, who wanted to ensure the impact of the COVID crisis on the company's stakeholders was reflected in the executive pay package. LGIM supported the remuneration report (resolution 4) 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 (LTIP). However, LGIM still had concerns about the size of the 2021 LTIP grant, especially given the remuneration committee were not able to exercise discretion. LGIM voted against resolution 3 to signal their concern.	neutrality around 2050. LGIM has publicly advocated for 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. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets	the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce, decided to withdraw its dividend for 2020 and sought approval for a rights issue of 2.75 billion to strengthen its balance sheet. In light of this, LGIM were concerned about the level of bonus payments, which are 80% to 90% of salary for current executives and 100% of their salary for the departing CEO.
Outcome of the vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration.	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm.	28.4% of shareholders opposed the remuneration report.
Implications of the outcome	LGIM will continue to engage with the company	LGIM will continue to monitor this company	LGIM will continue to engage closely with the renewed board
Criteria on which the vote is considered "significant"	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package	The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism	LGIM considers this vote significant as it illustrates the importance for investors of monitoring investee companies' responses to the COVID crisis

Barings Multi Asset Fund

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Toyota	Tui AG	East Japan Railway Company	Nissan Chemical Corp
Date of vote	11-Jun-2020	11-Feb-2020	23-Jun-2020	25-Jun-2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	<0.5%	<0.5%	<0.5%	<0.5%
Summary of the resolution	Appointment of director	Board remuneration	Appointment of director	Appointment of director
How the manager voted	Against	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	Yes	Yes	Yes
Rationale for the voting decision	Board not deemed sufficiently independent.	Remuneration for incoming CEO deemed questionable.	Board not deemed sufficiently Independent.	Diversity of board considered insufficient.
Criteria on which the vote is considered "significant"	Barings review the votes for each year and make a judgement accordingly			

Prudential With-Profits Fund*

	Vote 1	Vote 2	Vote 3
Company name	BHP Ltd	Royal Dutch Shell Plc	Facebook, Inc. Class A
Date of vote	15-Oct-2020	19-May-2020	07-May-2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.4%	0.4%	0.1%
Summary of the resolution	Adopt interim cultural heritage protection measures	Shareholder resolution requesting Shell to set and publish targets for Greenhouse Gas (GHG) Emissions	Shareholder proposal to report on political advertising
How the manager voted	Against	For	Against management; For proposal
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Not recorded	Yes	No
Rationale for the voting decision	Concern over impact on operations	The manger thinks that the company should provide comprehensive disclosure to shareholders on its environmental impacts and risks.	Voted against management recommendation to vote down a shareholder proposal for Facebook to report on political advertising on Facebook's social media platforms and assess impact on democratic processes. We voted against management as shareholders would benefit from increased disclosures to better understand specific risks that Facebook may face as well as broader societal impact in terms of public discourse and democratic processes.
Criteria on which the vote is considered "significant"	Issue/subject matter that has high sensitivity to stakeholders	Issue/subject matter that has high sensitivity to stakeholders	Potential for material impact on the financial performance of the investment.

*As noted above, the Prudential With-Profits Fund is managed by M&G Treasury and Investment Office (M&G T&IO) who have appointed a number of fund managers to manage the assets of the fund.

Fund level engagement

Manager	LGIM	Barings	Prudential*
Fund name	Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged; Over 5 Year Index-Linked Gilts Fund; Over 15 Years Gilts Fund; and, Core Plus Fund	Multi Asset Fund	With-Profits Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes
Number of engagements undertaken at a fund level	Data not provided	69	Data not provided
Number of engagements undertaken at a firm level	891	Over 180	Data not provided
Examples of engagements undertaken with holdings in the fund	LGIM are unable to provide examples at the fund level. A firm level example is: LGIM has been engaging with Korea Electric Power Company (KEPCO) since early 2017. The company planned to expand thermal coal power generation and had poor climate risk disclosure. LGIM made the decision to implement voting sanctions and divest from the company in their Future World fund range. In October, KEPCO publicly pledged it would make no further investments in overseas coal projects. It would instead focus on renewables and natural gas, with all but two planned thermal coal projects either converted to liquefied natural gas or called off.	Barings engaged with a US chemicals firm with large fertiliser businesses to push them towards shifting more of their business into 'green' and 'blue' ammonia. Green ammonia is used in the production of carbon-neutral fertiliser products, decarbonising the food value chain, and also has potential as a future climate-neutral shipping fuel. Blue ammonia is used to make blue hydrogen – i.e. hydrogen made from fossil fuels through a process that captures and stores the carbon dioxide produced rather than release it into the atmosphere. Barings' engagement aims to push for this transition as quickly as possible to cut their carbon footprint and access an opportunity given increased demand from Japan and others for an environmentally friendly shipping fuel alternative.	One of the underlying fund managers held a dedicated engagement with senior individuals across the environment, anti-microbial and supply chain resilience teams within both AstraZeneca and GlaxoSmithKline to drive conversations about the risks and opportunities involved in these areas. One of the underlying fund managers engaged companies who had received a UN Global Compact 'flag'. For instance, Serco and Bayer received red flags for their role in Australian immigration centres and damage to biodiversity respectively.

*As noted above, the Prudential With-Profits Fund is managed by M&G Treasury and Investment Office (M&G T&IO) who have appointed a number of fund managers to manage the assets of the fund.