

# Implementation Statement, covering the Scheme Year from 1 March 2021 to 28 February 2022

The Trustee of the McNicholas Plc 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 is provided in Section 3 below.

## 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 September 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.

## 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.

The Trustee receives quarterly updates on ESG and Stewardship related issues from our investment advisers, which is included in LCP’s quarterly *Markets, Macro and more* paper.

## 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 to its investment managers the exercise of voting rights. 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 in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that hold equities as follows:

- Legal & General (“L&G”) Global Equity Market Weights (50:50) Index Fund; and
- Ruffer LLP (“Ruffer”) Total Return Fund

L&G and Ruffer were unable to provide voting data information for the year to 28 February 2022, therefore we have included voting data information for the year 31 March 2022.

### 3.1 Description of the voting processes

#### L&G

L&G’s voting and engagement activities are driven by ESG professionals, and its voting policies are reviewed annually and take into account feedback from its clients.

Every year, L&G 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 L&G continue to develop its voting and engagement policies and define strategic priorities in the years ahead. L&G also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All 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. This ensures L&G’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.

The Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and it does not outsource any part of the strategic decisions. L&G uses ISS recommendations purely to augment its 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 L&G receives from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with L&G's position on ESG, L&G has put in place a custom voting policy with specific voting instructions that apply to all markets globally. L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy.

## Ruffer

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer is cognisant of proxy advisers' voting recommendations, it does not delegate or outsource its stewardship activities when deciding how to vote on its clients' shares.

Research analysts are responsible, supported by Ruffer's responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

Ruffer looks to discuss with companies any relevant or material issue that could impact its investment. Ruffer will ask for additional information or an explanation, if necessary, to inform its voting discussions. If Ruffer decide to vote against the recommendations of management, it will endeavour to communicate this decision to the company before the vote along with an explanation for doing so.

Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams.

Ruffer engages regularly with the Investment Association and the Institutional Investor Group on Climate Change (IIGCC). Through its commitment to Climate Action 100+, Ruffer has collaborated with other investors or asset owners engaging with a number of European and American companies, including making statements at AGMs and co-filing shareholder resolutions.

### 3.2 Summary of voting behaviour over the Scheme Year

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

	L&G	Ruffer
Fund name	Global Equity Market Weights (50:50) Index Fund	Total Return Fund
Total size of fund at end of the Scheme Year	£79.8m	£3,648m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£2.8m (12% of total assets)	£3.2m (13% of total assets)
Number of equity holdings at end of the Scheme Year	3,051	92
Number of meetings eligible to vote	3,702	101
Number of resolutions eligible to vote	44,835	1,425
% of resolutions voted	99.8%	94.9%

Of the resolutions on which voted, % voted with management	82.4%	93.0%
Of the resolutions on which voted, % voted against management	16.9%	6.3%
Of the resolutions on which voted, % abstained from voting	0.7%	0.7%
Of the meetings in which the manager voted, % with at least one vote against management	68.1%	41.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	12.0%	6.4%

### 3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme’s asset managers who hold listed equities, is set out below.

#### L&G

L&G views the following situations as criteria in determining which votes are the “most significant” over the Plan Year:

- *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 L&G’s annual Stakeholder roundtable event, or where it notes 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 L&G engagement campaign, in line with L&G Investment Stewardship’s 5-year ESG priority engagement themes.*

L&G provide information on significant votes in the format of detailed case studies in its quarterly ESG impact and annual active ownership publications. Some significant votes identified by L&G are set out below:

- **Abbot Laboratories, April 2021. Vote: For. Outcome of the vote:** Did not pass

**Summary of resolution:** Require Independent Board Chair

**Rationale:** L&G advocates for the separation of the roles of CEO and board chair. L&G believes these two roles are substantially different, requiring distinct skills and experiences. Since 2015, L&G has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020, L&G has been voting against all combined board chair/CEO roles.

**Criteria against which this vote has been assessed as “most significant”:** L&G considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

- **Intel Corporation, May 2021. Vote: For. Outcome of the vote:** Did not pass

**Summary of resolution:** Report on Global Median Gender/Racial Pay Gap

**Rationale:** A vote in favour is applied as L&G expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. L&G views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

**Criteria against which this vote has been assessed as “most significant”:** Gender diversity is viewed as a financially material issue for L&G’s clients. Vote linked to an L&G engagement campaign, in line with L&G Investment Stewardship’s 5-year ESG priority engagement themes.

- **General Electric, May 2021. Vote: For. Outcome of the vote:** Pass

**Summary of resolution:** Report on Meeting the Criteria of the Net Zero Indicator

**Rationale:** L&G is committed to addressing the issue of climate change. L&G believes that climate change and the transition to a low-carbon presents both risks and opportunities for its investee companies.

**Criteria against which this vote has been assessed as “most significant”:** Vote linked to an L&G engagement campaign, in line with L&G Investment Stewardship’s 5-year ESG priority engagement themes.

## Ruffer

Ruffer has defined ‘significant votes’ as those that it thinks will be of particular interest to its clients. In most cases, these are when they form part of continuing engagement with the company and/or its have held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and its internal voting guidelines.

Some significant votes identified by Ruffer are set out below:

- **Ambev, April 2021. Vote:** Against. **Outcome of the vote:** Pass

**Summary of resolution:** Governance – remuneration

**Rationale:** Ambev asked to increase its annual remuneration cap by 11.2%, but only used 64% of its cap in 2020 and 75% of its cap in 2019. Given the current cap hasn't been met and the company is proposing an 11.2% increase in that cap despite weak share price and margin performance over a number of years, Ruffer did not believe approving the increase would be warranted. Ruffer has engaged with the company on this item and they pointed to the need to adjust compensation for inflation and market benchmarks. Ruffer believes voting for this item would seem to be perpetuating the inflationary spiral of executive compensation and Ruffer believes it needs to send a message that poor performance cannot be rewarded with higher pay.

**Criteria against which this vote has been assessed as “most significant”:** Ruffer confirmed that this vote would be of particular interest to its clients. The vote against management was in the context of engagement with the company and the result of extensive internal discussions

- **Royal Dutch Shell, May 2021. Vote:** For. **Outcome of the vote:** Pass

**Summary of resolution:** Vote on management resolution relating to the company's climate transition plan

**Rationale:** Ruffer supported Royal Dutch Shell's first Energy Transition Strategy plan. The decision was made in the context of the progress Shell has made as a result of engagement and the commitment of the company leadership to continue to meaningfully engage on the remaining areas of Climate Action 100+. The vote reflects Ruffer's commitment to a continued engagement with the company to work on details of the company's transition plans to ensure absolute emission equivalent targets sit alongside short- and medium-term intensity targets, and the need for further alignment on capital expenditure.

**Criteria against which this vote has been assessed as “most significant”:** Ruffer confirmed that this vote would be of particular interest to its clients. The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.

- **American Express, May 2021. Vote:** For. **Outcome of the vote:** Pass

**Summary of resolution:** Vote on shareholder resolution requesting annual Diversity & Inclusion report

**Rationale:** Ruffer supported a shareholder resolution that requires the company to annually publish a report assessing Diversity, Equity, and Inclusion Efforts. Ruffer believes that American Express has some room for improvement when it comes to the reporting of its diversity statistics. Ruffer believes that diversity feeds into social considerations when investing, under the guise of human capital and social opportunities and consequently, improvement in disclosure would benefit shareholders in assessing the company's long-term value and reputational and legal risks.

**Criteria against which this vote has been assessed as “most significant”:** Ruffer confirmed that this vote would be of particular interest to its clients. The shareholder resolutions aimed to increase the transparency of the company's Diversity, Equity, and Inclusion Efforts.