

Implementation Statement, covering the Scheme Year from 1 March 2022 to 28 February 2023

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.

In preparing the Statement, the Trustee has had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

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. In late 2022, the Scheme’s SIP was updated to reflect a change in investment strategy and manager arrangements. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

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

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

- **L&G:** [L&G's Engagement Policy](#)
- **Ruffer:** [Ruffer's Engagement Policy](#)

However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers as detailed below.

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 Environmental, Social and Governance (“ESG”) and Stewardship related issues from our investment advisers, which is included in LCP’s quarterly *Markets, Macro and more* paper.

Following the introduction of DWP’s guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At its December 2022 meeting, the Trustee discussed and agreed stewardship priorities for the Scheme which were: Diversity, Equity and Inclusion, the Environment and Human Rights.

These priorities were selected because the Trustee believe that they are key market-wide risks, cover the E,S and G factors as well as the areas where they believe that good stewardship and engagement can improve long-term outcomes for members. The Trustee communicated these priorities to their managers in March 2023.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

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, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- Legal & General ("L&G") Global Equity Market Weights (50:50) Index Fund (held until November 2022); and
- Ruffer LLP ("Ruffer") Total Return Fund

L&G was unable to provide voting data information for the year to 28 February 2023, therefore we have included voting data information for the year 31 March 2023.

3.1 Description of the voting processes

Legal & General

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 we continue to develop our 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 its 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 on 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. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows L&G to apply a qualitative overlay to its voting judgement. L&G has strict monitoring controls to ensure votes are fully and effectively executed in accordance with its voting policies by its service provider.

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. The L&G Global Equity Market Weights (50:50) Index Fund was not held by the Scheme for the full period covered by this statement, however part-year reporting on voting activity is currently not available.

	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	£44.2m	£3,421.3m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	-	£2.1m (13% of total assets)
Number of equity holdings at end of the Scheme Year	3,744	55
Number of meetings eligible to vote	3,736	94
Number of resolutions eligible to vote	47,002	1,549
% of resolutions voted	99.9%	97.4%
Of the resolutions on which voted, % voted with management	81.5%	94.8%
Of the resolutions on which voted, % voted against management	18.0%	5.0%
Of the resolutions on which voted, % abstained from voting	0.5%	0.2%
Of the meetings in which the manager voted, % with at least one vote against management	69.4%	40.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	12.6%	6.0%

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.

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes.

The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee

did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist.

The Trustee has then used its discretion to choose a selection of "most significant vote" resolutions from those provided by each manager, aiming to provide a broad range of example resolutions that the Scheme's investment managers voted on during the Scheme Year. In particular, the Trustee has sought to include at least one resolution from each fund related to the Environment, Diversity, Equity and Inclusion and Human Rights, in line with its decision to set these priorities as the key stewardship priorities for the Scheme. The Trustee has summarised how the investment managers voted on during the Scheme Year below.

The Trustee has reported on three of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

L&G

L&G views the following situations as criteria in determining which votes are the "most significant" over the Scheme 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:

- **Royal Dutch Shell Plc, May 2022. Vote:** Against. **Outcome of the vote:** Pass.

Relevant stewardship priority: Environment

Management recommendation: Against resolution

Summary of resolution: Approve the Shell Energy Transition Progress Update

Approximate size of mandates holding at date of vote (as % of portfolio): 3.4%

Rationale: L&G acknowledges 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, L&G remains 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.

Criteria against which this vote has been assessed as "most significant" by L&G: L&G considers this vote significant as it is an escalation of its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.

The reason the Trustee considered this vote to be "most significant": This relates to a stewardship priority

Was the vote communicated to the company ahead of the vote: Vote was in line with management.

Outcome and next steps: L&G will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.](#)

- **Amazon.com, Inc. May 2022. Vote:** Against. **Outcome of vote:** Pass.

Relevant stewardship priority: Human Rights

Management Recommendation: For resolution

Summary of resolution: Elect Director Daniel P. Huttenlocher

Approximate size of mandates holding at date of vote (as % of portfolio): 1.1%

Rationale: A vote against was applied by L&G as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

Criteria against which this vote has been assessed as “most significant” by L&G: L&G considers this vote significant as L&G pre-declared its vote intention for this resolution.

The reason the Trustee considered this vote to be “most significant”: This relates to a stewardship priority

Was the vote communicated to the company ahead of the vote: It is L&G’s policy to not engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholding meeting topics. L&G publicly communicates its vote instructions on its website with rationale for all votes against management.

Outcome and next steps: L&G will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

- **NVIDIA Corporation, June 2022. Vote:** Against. **Outcome of vote:** Pass.

Relevant stewardship priority: Diversity, Equity and Inclusion

Management Recommendation: For resolution

Summary of resolution: Elect Director Harvey C. Jones

Approximate size of mandates holding at date of vote (as % of portfolio): 0.4%

Rationale: A vote against is applied as L&G expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. L&G is targeting the largest companies as it believes that these should demonstrate leadership on this critical issue.

Independence: A vote against is applied as L&G expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

Criteria against which this vote has been assessed as “most significant” by L&G: L&G views diversity as a financially material issue for its clients, with implications for the assets we manage on their behalf.

The reason the Trustee considered this vote to be “most significant”: This relates to a stewardship priority

Was the vote communicated to the company ahead of the vote: It is L&G’s policy to not engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholding meeting topics. L&G publicly communicates its vote instructions on its website with rationale for all votes against management.

Outcome and next steps: L&G will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

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:

- **Cigna Corporation, April 2022. Vote:** Against. **Outcome of vote:** Did not pass.

Relevant stewardship priority: Diversity, Equity and Inclusion

Management Recommendation: Against resolution

Summary of resolution: Report on Gender Pay Gap

Approximate size of mandates holding at date of vote (as % of portfolio): 1.5%

Rationale: Cigna uses an "equal pay for equal work" statistic and reports that there are no material differences in pay data related to gender or race. Although the equal pay for equal work statistic is subjective in that it allows the company to define what it considers an "equal job," the company does report its gender representation statistics and it additionally set a parity goal for leadership positions. As such, shareholders have enough information to assess how effectively company practices are working to eliminate discrimination in pay and opportunity in its workforce. Therefore, support for this resolution is not warranted at this time.

Criteria against which this vote has been assessed as "most significant" by Ruffer: Ruffer confirmed that this vote will be of particular interest to its clients. Ruffer supports shareholder resolutions in their effort to get accurate and transparent information on the company's revenue streams.

The reason the Trustee considered this vote to be "most significant": This relates to a stewardship priority

Was the vote communicated to the company ahead of the vote: No

Outcome and next steps: Ruffer confirmed that this vote will be of particular interest to its clients. Ruffer supports management in their effort to provide accurate and transparent information on Gender Pay Gaps.

- **Equinor ASA, May 2022. Vote:** For. **Outcome of vote:** Pass.

Relevant stewardship priority: Environment

Management Recommendation: For resolution

Summary of resolution: Approve Company's Energy Transition Plan (Advisory Vote)

Approximate size of mandates holding at date of vote (as % of portfolio): 0.5%

Rationale: Ruffer voted for Equinor's transition plan because it is supportive of their efforts to decarbonise. Ruffer believes Equinor is at the forefront of offshore wind developments and it has been impressed by their business success in that area. Ruffer has engaged with the company and discussed their plan and disagree with ISS's assessment. Ruffer believes Equinor is one of the few companies who have been profitable in aiming to decarbonise and it will support that.

Criteria against which this vote has been assessed as "most significant" by Ruffer: Ruffer confirmed that this vote will be of particular interest to its clients. The management resolution aims to increase the transparency of the company's climate transition planning and outcomes.

The reason the Trustee considered this vote to be "most significant": This relates to a stewardship priority

Was the vote communicated to the company ahead of the vote: Yes – Ruffer engaged with the company ahead of the AGM.

Outcome and next steps: Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives.

- **Meta Platforms, Inc., May 2022. Vote:** For. **Outcome of vote:** Did not pass.

Relevant stewardship priority: Diversity, Equity and Inclusion and Human Rights

Management Recommendation: Against resolution

Summary of resolution: Publish Third Party Human Rights Impact Assessment

Approximate size of mandates holding at date of vote (as % of portfolio): 0.3%

Rationale: Facebook has received substantial media backlash over the use of its targeted advertising to discriminate against marginalized groups. Although the company has recently tightened its restrictions for targeting options, Ruffer believes it still appears to be facing scrutiny on the topic. It has faced a number of legal risks due to lawsuits from the ACLU, HUD, FTC, and others. Given the large amount of company revenue that comes from advertisements, Ruffer believes a third-party human rights impact assessment on the company's policies and practices related to targeted advertising could help shareholders assess Meta's management of human rights related risks.

Criteria against which this vote has been assessed as "most significant" by Ruffer: Ruffer confirmed that this vote will be of particular interest to its clients. Ruffer supports shareholder resolutions in their effort to get accurate and transparent information on the company's revenue streams.

The reason the Trustee considered this vote to be "most significant": This relates to two stewardship priorities

Was the vote communicated to the company ahead of the vote: No

Outcome and next steps: Ruffer will continue to vote on shareholder resolutions that affect transparency over Diversity, Ethnicity, and Inclusion efforts.