Implementation Statement, covering the Scheme Year from 1 March 2020 to 28 February 2021

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.

In December 2020, LCP provided training to the Trustee on L&G's Low Carbon Transition Fund, as a means of taking action on climate risk, in line with the Trustee's policies within the SIP, as a potential alternative for the current L&G passive global equity mandate. This remains under consideration.

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 were unable to provide voting data information for the year to 28 February 2021, therefore we have included voting data information for the year 31 March 2021.

3.1 Description of the voting processes

L&G

L&G's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. L&G's 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 take 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.

Ruffer

Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting, although it can accommodate client voting instructions for specific areas of concerns or companies where feasible.

Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS). Ruffer has developed its own internal voting guidelines, however Ruffer takes into account issues raised by 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.

Each research analyst, supported by Ruffer's responsible investment team, reviews the relevant issues on a case-by-case basis and exercises 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.

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period 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 reporting period	£93.6m	£3,680m
Value of Scheme assets at end of reporting period	£2.4m	£3.0m
Number of holdings at end of reporting period	3,138	89
Number of meetings eligible to vote	4,157	79
Number of resolutions eligible to vote	50,012	1,099
% of resolutions voted	99.9%	96.9%
Of the resolutions on which voted, % voted with management	83.4%	90.9%
Of the resolutions on which voted, % voted against management	16.1%	9.1%
Of the resolutions on which voted, % abstained from voting	0.5%	1.7%
Of the meetings in which the manager voted, % with at least one vote against management	5.6%	41.8%[1]
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.4%	7.7%

[1]Ruffer has confirmed this includes number of meetings with at least 1 vote Against, Withhold or Abstain

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. Both managers provided a substantial number of examples, and we have therefore chosen a subset of votes which relate to either environmental, social or corporate governance factors.

L&G

In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- *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 we note 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 it's quarterly ESG impact and annual active ownership publications. Some significant votes identified by L&G are set out below:

- **SIG plc., July 2020. Vote:** L&G voted against the resolution.

  Outcome of the vote: The resolution passed. However, 44% of shareholders did not support it. L&G believe that with this level of dissent the company should not go ahead with the payment.

  Summary of resolution: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020

  Rationale: *"The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment.*

  L&G does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue."

  Criteria against which this vote has been assessed as "most significant": The vote is high-profile and controversial.

- **The Procter & Gamble Company, October 2020. Vote:** L&G voted in favour of the resolution.

  Outcome of the vote: The resolution received the support of 68% of shareholders (including L&G)

  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. 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 their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that* *contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. 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 to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, L&G decided to support the resolution.

Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for L&G is to ensure that companies we invest our clients' assets in are not contributing to deforestation. L&G has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources."

Criteria against which this vote has been assessed as "most significant": It is linked to L&G's five-year strategy to tackle climate change and attracted a great deal of client interest.

- **Tyson Foods, February 2021. Vote:** L&G voted for the resolution.

  Outcome of the vote: The resolution failed to get a majority support as only 17% of shareholders supported it.

  Summary of resolution: Report on Human Rights Due Diligence

  Rationale: *"A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process.*

  The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting. Furthermore, it is believed that there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks.

  Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain.

  L&G believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population. We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat."

  Criteria against which this vote has been assessed as "most significant": L&G confirmed its clients were particularly interested in the outcome of this vote.

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 it has 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 Ruffer's internal voting guidelines.

Some significant votes identified by Ruffer are set out below:

- **Walt Disney, March 2020. Vote:** Ruffer voted for the resolution.

  Outcome of the vote: Proposal failed with 65.7% votes against.

  Summary of resolution: Shareholder resolution requesting additional disclosures on lobbying activities.

  Rationale: *"We voted for a shareholder resolution in 2018 and 2019 requesting additional disclosure on lobbying and the company's memberships of trade associations. While the company has responded to these resolutions by increasing its disclosure, this only includes trade associations based in the US. As the framework has been established, and the analysis already conducted for these associations, we do not think it is onerous for the company to expand this to cover all trade associations of which it is a member. We stated this clearly to the company and supported the shareholder resolution in 2020."*

  Criteria against which this vote has been assessed as "most significant": This was part of an ongoing engagement with the company, including on remuneration issues. It was a vote against management for a major holding.

- **Aena S.M.E, October 2020. Vote:** Ruffer voted for the resolution.

  Outcome of the vote: The 3 resolutions passed with 99.2%, 98.1% and 96.5% shareholder support.

  Summary of resolution: Vote on shareholder resolution relating to the company's climate transition plan.

  Rationale: *"We voted for three shareholder resolutions requesting that the company submits its climate transition plan to a shareholder advisory vote at its 2021 AGM and provides updates to its plan on an annual basis from 2022. We believe that climate change-related risks may be significant for the long-term performance of Aena, and therefore we supported these resolutions."*

  Criteria against which this vote has been assessed as "most significant": Ruffer believes this vote will be of particular interest to its clients. The shareholder resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.

- **Lloyds Bank, May 2020. Vote:** Ruffer voted against the resolution.

  Outcome of the vote: Remuneration policy passed with 63.8% approval. Long term share plan passed with 63.7% approval.

  Summary of resolution: Vote on remuneration policy.

  Rationale: *"We decided to vote against the proposed remuneration policy at the company as although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, we did not think it sufficiently incentivises management to deliver shareholder value."*

  Criteria against which this vote has been assessed as "most significant": Votes against renumeration policies for material holdings are significant. These arise after discussion between members of the research, portfolio management and responsible investment teams.

12.4 Votes in relation to assets other than listed equity

The Trustee notes the following statements made by L&G in respect of funds invested in bonds, which do not convey voting rights:

"ESG issues are fundamentally important to investors regardless of the type of exposure. We engage on behalf of all of our clients' assets; the Investment Stewardship team explicitly takes into account both our debt and equity exposures and we participate in a number of industry bodies to formulate guidance on best practice in fixed income markets. Our size as a long-term investor in these markets carries weight with issues."