

Macfarlanes Pension Scheme

Implementation Statement

This is the Implementation Statement prepared by the Trustees of the Macfarlanes Pension Scheme (“the Scheme”) and sets out:

How the Trustees’ policies on exercising rights (including voting rights) and engagement have been followed over the year.

The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 December 2021.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.

Annually, the Trustees receive and review voting information and engagement policies from both the asset managers and their investment advisors, which they review to ensure alignment with their policies, alongside the preparation of the Implementation Statement. The Trustees were satisfied that the managers’ policies were reasonable and no further remedial action was required during the period.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

Additional information on the voting and engagement activities carried out for the Plan’s investments are provided on the following pages.

Voting Data

Voting only applies to equities held in the portfolio. The Scheme’s equity investments are held through pooled funds, and as such the investment managers of these funds vote on behalf of the Trustees. The Scheme’s equity investments are managed Columbia Threadneedle Investments (“Columbia Threadneedle”). The Scheme disinvested from the Legal & General Investment Management (“LGIM”) equity fund in October 2021 and so the Scheme was not invested for the entire period to 31 December 2021. The table below provides a summary of the voting activity undertaken by each manager during the year to 31 December 2021.

Manager	LGIM	Columbia Threadneedle
Fund name	Global Equity Market Weights (50:50) Index	Dynamic Real Return Fund
Structure		Pooled
Does manager vote at a fund level or at a firm-wide level?		Fund
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
Number of company meetings the manager was eligible to vote at over the year	3,205	368
Number of resolutions the manager was eligible to vote on over the year	39,141	4,694
Percentage of resolutions the manager voted on	99.86%	100.00%
Percentage of resolutions the manager abstained from	0.65%	2.56%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	82.45%	90.88%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	16.89%	6.56%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	11.96%	n/a*

*Columbia Threadneedle's final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations.

Significant votes

We have delegated to the investment managers to define what a “significant vote” is. A summary of the data they have provided is set out below.

LGIM, Global Equity Market Weights (50:50) Index

	Vote 1	Vote 2	Vote 3
Company name	Facebook, Inc.	Imperial Brands plc	Intel Corporation
Date of vote	26/05/2021	03/02/2021	13/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.68%	0.34%	0.20%
Summary of the resolution	Resolution 1.9 Elect Director Mark Zuckerberg	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.	Resolution 5 Report on Global Median Gender/Racial Pay Gap
How the manager voted	Withhold	LGIM voted against both resolutions.	LGIM voted for the resolution (management recommendation: against).
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their 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	<p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair.</p> <p>Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and they have reinforced their</p>	<p>The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. The company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. Prior to the AGM, LGIM engaged with the company outlining what their concerns over the remuneration structure were. LGIM also indicated that we publish specific</p>	<p>A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. As part of LGIM's efforts to influence their investee companies on having greater gender balance, they expect all companies in which they invest globally to have at least one female on their board. Please note, LGIM have stronger requirements in the UK, North American,</p>

	Vote 1	Vote 2	Vote 3
	position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.	remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.	European and Japanese markets, in line with their engagement in these markets. For further details, please refer to LGIM’s vote policies on their website.
Outcome of the vote	97.2% of shareholders supported the resolution.	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.	14.3% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.	LGIM will continue to engage with our investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered “significant”	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM are concerned over the ratcheting up of executive pay; and they believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives’ post-exit shareholding guidelines to be set.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.

	Vote 4	Vote 5
Company name	McDonald's Corporation	Wells Fargo & Company
Date of vote	20/05/2021	27/04/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.15%	0.13%
Summary of the resolution	Resolution 5 Report on Antibiotics and Public Health Costs	Resolution 7 Report on Racial Equity Audit
How the manager voted	LGIM voted in favour of the shareholder resolution (against management).	LGIM voted for the resolution (management recommendation: against).
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Given LGIM's recent engagement with the company on the topic of antibiotic use in their supply chain and LGIM's decision to publicly pre-declare their support to the shareholder resolution on the topic, we exceptionally decided to communicate their vote intentions to the company as part of their continuous engagement with them.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	<p>LGIM voted in favour as they believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications.</p> <p>Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. LGIM believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, they believe AMR is a financially material issue for the company and other stakeholders, and they want to signal the importance of this topic to the company's board of directors.</p>	A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.
Outcome of the vote	11.3% of shareholders supported the resolution.	12.9% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Vote 4

Vote 5

Criteria on which the vote is considered "significant"

LGIM consider this vote to be significant as they took the rare step of publicly pre-declaring it before the shareholder meeting. LGIM decide to pre-declare their vote intention for a number of reasons, including as part of their escalation strategy, where they consider the vote to be contentious, or as part of a specific engagement programme.

LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

Columbia Threadneedle Investments, Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Caterpillar Inc.	Royal Dutch Shell Plc	Eli Lilly and Company	Chalice Mining Ltd.	Sun Hung Kai Properties Limited
Date of vote	09/06/2021	18/05/2021	03/05/2021	24/11/2021	04/11/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.03%	0.15%	0.04%	0.00%	0.00%
Summary of the resolution	Report on Climate Policy	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Report on Lobbying Payments and Policy	Approve Issuance of Options to Stephen McIntosh	Elect Wu Xiangdong as Director
How the manager voted	For	Abstain	For	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	This information was not provided.				
Rationale for the voting decision	Supporting better ESG risk management disclosures	Not in shareholders' best interest	Supporting better ESG risk management disclosures	Remuneration concerns	Attendance concerns
Outcome of the vote	Fail	Fail	Fail	Pass	Pass
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of Columbia Threadneedle's research and investment process.				
Criteria on which the vote is considered "significant"	The manager voted against management.				

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees. The table below provides a summary of the engagement activity undertaken by LGIM and Columbia Threadneedle during the year.

Please note that LGIM have only provided the engagement data at a firm wide level.

Manager	LGIM	Columbia Threadneedle Investments
Fund name	Global Equity Market Weights (50:50) Index, Leveraged Gilt Funds and Sterling Liquidity Fund	Dynamic Real Return Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	<i>This information was not provided.</i>	127
Number of engagements undertaken at a firm level in the year	772	230
Examples of engagements undertaken	Areas covered by engagements include: climate change, gender and ethnic diversity, remuneration and board composition.	Southern Water: Environment/Pollution waste DS Smith PLC: Natural resource use/impact

Summary

Based on the information received, the Trustees believe that the fund managers have acted in accordance with the Scheme's stewardship policies.

Where information is not included, it has been requested but has not been provided in a useable format or at all by the investment manager. The Trustees' investment consultants are in discussion with the managers around how this data will be provided for future statements.

**Prepared by the Trustees of the Macfarlanes Pension Scheme
11 July 2022**