Implementation Statement

Macfarlane Group PLC Pension & Life Assurance Scheme (1974)

Purpose of this statement

This implementation statement has been produced by the Trustees of the Macfarlane Group PLC Pension & Life Assurance Scheme (1974) ("the Scheme") to set out the following information over the year to **30 April 2024**:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The voting behaviour is not given over the Scheme year end to 30 April 2024 because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2024.

Throughout the year to 30 April 2024 the Trustees agreed and implemented a new investment strategy. As a result, the following funds were fully disinvested over the year: LGIM regional equity portfolio, BlackRock BIEF UK Specialist Equity Fund, Newton BNY Mellon Real Return Fund, M&G European Loan Fund and M&G Secured Property Income Fund. Where the period or amount held in these funds was relatively small, voting and engagement data has not been included in this statement.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in May 2024 and has been made available online here:

statement-of-investment-principals.pdf (macfarlanegroupplcpension1974.co.uk)

The Trustees decided not to set stewardship priorities for the Scheme because the Scheme solely invests through pooled investment vehicles (except for the segregated LDI portfolio) where the Scheme's asset only represents a small proportion of the capital invested in the funds. The Trustees understand that they are constrained by the policies of the managers. Additionally, only 1.3% (£848k as at 30 April 2024) of the Scheme's invested assets were invested in assets with voting rights attached. Given the Scheme's time horizon to buy-out and plans to reduce the allocation overtime, the Trustees decided not to set stewardship priorities. However, the Trustees takes the stewardship priorities, climate risk, and ESG factors into account at manager selection. The Trustees also review the stewardship and engagement activities of the investment managers annually.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds (except for the segregated LDI mandate), and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers. The Scheme's segregated LDI mandate with Schroders has no voting rights and limited ability to engage with key stakeholders given the nature of the underlying investments.
- The Trustees receive and review voting information and engagement policies from both the asset managers and investment advisor (summarised in this report). The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the best interests of the Scheme.
- While the Trustees consider stewardship priorities/themes for the Scheme, they rely on the voting policy of their asset managers. The Trustees are comfortable that the asset managers' voting behaviours were broadly aligned with the Scheme's stewardship beliefs.
- Over the year to 30 April 2024 the Trustees reviewed the Scheme's investment strategy and considered ESG ratings provided by their investment consultants as part of the manager selection process.

Prepared by the Trustees of the Macfarlane Group PLC Pension & Life Assurance Scheme (1974)
July 2024

BARNETT WADDINGHAM
beyond the expected

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to 31 March 2024. The LDI mandate with Schroders and the Scheme's credit holdings with Schroders, M&G and TwentyFour have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate. Therefore, no voting data is presented in the table below.

Manager	Newton	Ruffer
Fund name	BNY Mellon Real Return Fund	Absolute Return Fund
Structure	Pooled	Pooled
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.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
No. of eligible meetings	69	64
No. of eligible votes	1,101	1,020
% of resolutions voted	99.3%	100.0%
% of resolutions abstained[1]	0.0%	2.0%
% of resolutions voted with management[1]	92.0%	94.9%
% of resolutions voted against management[1]	7.8%	3.1%
Proxy voting advisor employed[1]	Institutional Shareholder Services (ISS). Its voting recommendations of are not routinely followed; it is only in the event that Newton recognise a potential material conflict of interest as described above that the recommendation of our external voting service provider will be applied. Newton do not maintain a voting policy with ISS. They apply their own Newton voting guidelines.	Institutional Shareholder Services (ISS). Ruffer have developed their own internal voting guidelines, however Ruffer take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer are cognisant of proxy advisers' voting recommendations, Ruffer does not delegate or outsource their stewardship activities when deciding how to vote on their clients' shares.
% of resolutions voted against proxy voter recommendation	4.9%	9.6%

[1] As a percentage of the total number of resolutions voted on

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Scheme, this reflects the de-risked investment strategy and short expected time horizon for the Scheme. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a "significant vote". The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Ruffer and Newton have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

A summary of the significant votes provided is set out below.

Newton, BNY Mellon Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	Unilever Plc	NextEra Energy, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.03%	1.15%	0.46%
Summary of the resolution	Request Shell to align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Approve Renumeration Report	Disclose Board Skills and Diversity Matrix
How the manager voted	Against Management	Against Management	For Shareholder proposal
Rationale for the voting decision	Newton abstained on the proposal believing that a vote in favour of this resolution could be considered as overstepping on management's preogatives in strategy setting. Newton abstained in line with their views that the current transition plan merits more robust 2030 goals in order to gain credibility.	Newton voted against executive pay arrangements owing to significant pay increases granted to executives and an absence of a compelling rationale for this.	Newton supported this shareholder proposal requesting the disclosure of a board skills and diversity matrix as they believed it would help shareholders to assess how the company is managing related risks.
Outcome of the vote	80% voted against	58% voted against	48.9% voted for

	Vote 1	Vote 2	Vote 3
Implications of the outcome	Newton reported that the significant dissent on the proposal shows concern for the shareholder base around Shell's transition plan.	Newton view the vote outcome as a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year under the review. The company has reached out to shareholders and Newton have communicated their concerns and reasons for adverse vote recommendations. Newton will continue exercising future votes in support of their views surrounding significant salary increases and alignment between pay and performance.	Newton noted the high level of support for the vote shows that the issue is significant to shareholders and Newton would expect the company to consider that a significant shareholder base would want to see the implementation of a board skill matrix.
Criteria on which the vote is considered "significant"	Newton deemed this vote significant as the manager believes, as a large GHG emitter, it is critical for Shell to have a credible transition plan. Newton felt abstaining on this resolution, alongside their engagement, would convey to the company the need to add credibility to its transition plan.	Newton felt the failed vote outcome, owing to shareholder dissent merits this vote as significant.	Newton consider this vote significant due to the materiality of the issue at hand and the level of support the resolution received.

Ruffer, Absolute Return Fund

	Vote 1	Vote 2	Vote 3
Company name	BP Plc	Swire Pacific Limited	ArcelorMittal
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.48%	0.33%	0.29%
Summary of the resolution	Approve Shareholder Resolution on Climate Change Targets	Approve Share Purchase Agreement and Related Transactions	Governance - Reelect Lakshmi Niwas Mittal as Director
How the manager voted	Against	For	For
Rationale for the voting decision	BP has, in Ruffer's opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Whilst BP has tightened & reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further,	Ruffer voted in favour of the governance resolution, supporting management, but against ISS. Ruffer believe that approving the sale of the US Coca-Cola bottling business to the controlling shareholder is in the best interests of the minority shareholders of Swire Pacific, such as themselves. Ruffer cite the strategic	Ruffer are voting in line with the company but against ISS. ISS has flagged that Mr. Mittal is overboarded. He has two other boards, Aperam (Which is a spin out from ArcelorMittal), where he is a non-exec Chairman and Goldman Sachs Group, where he is a non-executive. Ruffer do not believe that Mr Mittal's commitments

	Vote 1	Vote 2	Vote 3
	it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. This resolution asks for "BP to align its 2030 Scope 3 aims with Paris". Firstly, this would require a wholesale shift in strategy, which Ruffer believe is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. Ruffer believe this burden is unfair, particularly in the context of BP making long-cycle investment decisions.	rationale for this deal as in line with the company's strategy to focus geographically on operations in China and South East Asia. Ruffer note that this transaction realises significant hidden value for shareholders and this value is being returned to them in the form of a special dividend.	are excessive and believe that he is still able to commit the time required for his role at the company. As a result, they are voting for his re-election.
Outcome of the vote	The resolution failed with 83.3% votes against.	The resolution passed with 100.0% votes in favour.	The resolution passed with 94.9% votes in favour.
Implications of the outcome	Ruffer will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives which are currently in place. Ruffer will vote against shareholder resolutions which they deem as unnecessary.	Ruffer will monitor the business transaction and the way it is being executed, and they will engage accordingly if necessary.	Ruffer will continue to engage with the company on governance issues and feedback their concerns on the representation on the Board.
Criteria on which the vote is considered "significant"	Ruffer deemed this vote to be significant as they believe it will be of particular interest to their clients. Ruffer support management in their effort to provide clean, reliable and affordable energy.	Ruffer believe this vote will be of particular interest to their clients. Ruffer analyse and support companies in conducting business transactions that are in the best interest of shareholders.	Ruffer believe votes on the election of directors for material holdings are significant. These arise after discussion between members of the research, portfolio management and responsible investment teams.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash portfolio due to the nature of the underlying holdings, so engagement information for these assets has not been shown. Schroders do not currently produce engagement reports for the Securitised Credit Fund due to the nature of the fund so this fund has also been excluded.

Manager	Newton	Ruffer	M&G	TwentyFour	Schroders
Fund name	Newton Real Return Fund	Absolute Return Fund	Sustainable Total Return Credit Fund	Strategic Income Fund	Buy & Maintain Credit (2018-2023) Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	20	32	13	92	95
Number of entities engaged on behalf of the holdings in this fund in the year	9	25	11	100	52
Number of engagements undertaken at a firm level in the year	42	66	364	300	6,530

Examples of engagement activity undertaken over the year to 30 April 2024

Please note that the below engagement examples are provided on a firm level, with the exception of Newton, M&G and Schroders. Therefore, these examples have been provided for illustrative purposes and may not be directly relevant to the Scheme's holdings.

Newton Investment Management, BNY Mellon Real Return Fund

Name of entity engaged: Amazon

Type of engagement: Fund-level

Topic: Social - Human capital management (e.g. inclusion and diversity, employee terms, safety)

Rationale for the engagement: Newton recommended they conduct an independent assessment/audit of human rights/health and safety issues and report upon key findings and how it will action them. This is intended as a response to the numerous issues and controversies that have already occurred, and more significantly, for Amazon to acknowledge forward looking risks and discuss how it seeks to action them.

However, Newton believe getting the company to acknowledge these issues could be a good starting point along with how it seeks to action future risks.

Actions: Amazon maintained its previous stance that an independent audit on worker's rights & H&S issues is costly and unnecessary. In its experience, shareholders have not engaged with the previous audits conducted (related to civil rights, and a human rights impact assessment on Twitch – arguably not the most relevant or material issues in its risk profile). It believes it already provides sufficient disclosures and notes that workers' rights is a priority for regulators as well. For example, there is a regulatory requirement to report to OSHA. The company at this stage does not think there is value in undertaking more reporting.

To mitigate the concern investors are not engaging with the disclosures it is already providing, in this year's proxy, it will add table with links to a lot of its information, blogs, etc. that should be useful to investors. In terms of what is material, the sustainability report tries to set out what the company thinks are the important aspects from a lens of financial materiality, as well as separately what it believes is material/important to ESG investors.

While Newton acknowledge the company is making progress as can be seen in the datapoints the company regularly highlights - safety records, the benefits, and wage growth - they still feel there is a gap in linking these actions to how the board/ company is thinking on the overall strategy to effectively manage human capital and related risks in the long-term especially in light of the ongoing controversies. Newton provided feedback that a third-party perspective on these issues and how it is placed to mitigate the challenges would be useful to investors.

Newton also provided feedback on the lack of accessibility of resources provided by Amazon which appear to be buried and difficult to access from the website. This doesn't help investors who have easy access to ongoing external newsflow and face challenges locating relevant information on the website.

Outcomes and next steps: Newton are more confident given there is some relevant HCM experience on the board, and the company was clear on which committee has ultimately oversight of HCM. However, Newton failed to gain clarity on what the strategic human capital priorities are, what the board's position is on the company's HCM strategy, what the risks/weaknesses are looking forward, how efforts on transparency relate to these and what metrics are key for it to track. While Newton see that there is a general positive direction of travel, they would expect more momentum and articulation of a clear strategy.

It is likely that the company will continue to take a defensive stance towards forward looking asks around governance and disclosures and will continue to do only what is regulatory requirement.

Newton will continue to encourage additional transparency on oversight and strategy, including concrete targets and objectives, and in parallel consider escalation through voting in the AGMs.

Ruffer, Absolute Return Fund

Name of entity engaged: ArcelorMittal

Type of engagement: Firm level

Topic: Health and Safety

Rationale for engagement: The objective of the engagement was to:

- To understand the company's response to a fatal incident in Kazakhstan;
- to follow up on the CEO's recent statement on its approach to health and safety;
- to encourage the widest possible scope for its independent review of safety practices, from governance and oversight to asset-level performance and including contractors and sites where it doesn't have operational control; and
- to ask when a final report or progress update could be expected.

Outcomes and next steps: ArcelorMittal said its initial response was to provide financial support to the immediate families of the deceased and assist the government of Kazakhstan's investigation into the mine disaster. ArcelorMittal noted that safety performance worsened during the pandemic but had since improved outside the Commonwealth of Independent States. As the appointment of a suitable party to conduct the safety audit is not yet confirmed, the company cautiously suggested a further update by the 2024 AGM.

With insights from the company's plant in Belgium, Ruffer understand that operations and activities in a highly regulated advanced country may differ markedly to operations in a less developed or differently regulated country. Pending the results of the investigation and any possible charges, ArcelorMittal clearly cannot give further guidance at this time. Ruffer will continue discussions with the company, both individually and collaboratively, and await the independent health and safety review.

M&G, Sustainable Total Return Credit Fund

Name of entity engaged: ING GROEP NV

Type of engagement: Fund-level

Topic: Environment – Net Zero/ Decarbonisation (including Net Zero Commitments and Climate Transition Plans)

Rationale for engagement: The Dutch financial institution ING is currently committed to a near term Science Based Targets Initiative (SBTi). As part of wider discussions with the company, M&G had a number of requests to better measure the progress of this near-term target. M&G also engaged with the company to encourage a further net zero commitment beyond its near-term target.

Actions: As part of its regular reporting, M&G asked for clear data disclosure, including financed emissions, and additional reporting on scope 3 categories. M&G also requested a continuation of CDP disclosure, which the company had stopped completing. M&G asked for the publication of milestones in its climate strategy, with numeration links. The manager met with the company's lead on customer engagement as well as the leads on climate and investor relations respectively.

Outcomes and next steps: M&G report disclosure of the above requests has been completed. The manager noted the company was very receptive to their requests.

TwentyFour, Strategic Income Fund

Name of entity engaged: Nationwide Building Society

Type of engagement: Firm-level

Topic: Environmental - Climate change

Rationale for engagement: TwentyFour met with the Nationwide CFO to review their annual results and follow up on a number of environmental aspects, most importantly the verification of their net zero targets. This engagement is aligned with the SDG climate goal.

Actions: Nationwide expect to have their Science Based Target (SBTi) reduction targets completed before the end of 2023. They continue to engage with the government on what needs to be done to tackle UK household scope 3 emissions. On green loans, prior offerings to existing customers have failed to gain any traction, despite the favourable terms, so they have now gone one step further by offering these loans interest free up to £15,000 to help fund heat pumps, double glazing, insulation etc. The business's social credentials continue to remain very strong in TwentyFour's view and this is further reinforced by the £100 member pay-out – building society profits are shared among members not shareholders.

Outcomes and next steps: TwentyFour believe the social profile of Nationwide remains very strong. The interest free offering is the first of its kind from the UK banking sector which is impressive. TwentyFour will continue to monitor SBTi disclosures later this year.

Schroders, Buy & Maintain Credit (2018-2023) Fund

Name of entity engaged: Verizon

Type of engagement: Fund-level

Topic: Human Capital management

Rationale for the engagement: In 2022, Schroders wrote to Verizon Communications, a large technology company on the topic of ethical AI. This engagement is part of a collaborative effort coordinated around the World Benchmarking Alliance's (WBA) Ethical AI Initiative. The benchmark tracks the performance of the world's most influential digital technology companies, including the extent of open and ethical innovation.

Actions: In January 2023, Schroders spoke with the company's ESG team regarding their approach to ethical AI. Schroders discussed how their use of AI focused on improving operations and data-driven decision making, such as determining the most cost-effective way to build a 5G network. The engagement delved into the core pillars of their approach to AI, covering governance, privacy by design, respect for human rights, technical robustness, and transparency. Company representatives explained plans to operationalize the principles and manage risks.

The discussion covered the upcoming ESG report and what information would be included on their approach to AI, acknowledging that future regulatory obligations may influence disclosure practices. Schroders took the opportunity to encourage greater disclosure of AI policies, including their use of user data. They followed up the meeting reiterating objectives and shared examples of disclosure best practice from other companies. Later that year, the company published their AI principles in the ESG report, making progress against the objectives of this engagement.

Outcomes and next steps: The engagement gave Schroders a better understanding of the company's approach to ethical, transparent, and responsible use of AI, and they look forward to future engagement and progress in operationalizing the AI principles.