Mactaggart & Mickel Limited Retirement Benefits Scheme – Implementation Statement (forming part of Trustees Report) for the year ended 30 April 2023

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Mactaggart & Mickel Limited Retirement Benefits Scheme (the "Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 30 April 2023 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

This statement only covers the Scheme's invested assets, it does not cover the Scheme's additional voluntary contribution assets due to the small size of these assets in the context of the Scheme.

The Trustees' policy in relation to ESG and stewardship of assets

The Trustees believe that there can be financially material risks relating to environmental, social and governance ('ESG') issues. The Trustees' policies in relation to ESG and stewardship of assets are documented in their Statement of Investment Principles ('SIP'). The latest version of the SIP is dated September 2020.

The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment manager (Legal and General Investment Management). The Trustees require the Scheme's investment manager to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to Scheme's investments to the investment manager and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Investment-related activity during the reporting year

During the reporting year the Trustees reviewed the Scheme's investment strategy and approved the following changes aimed at significantly reducing investment risk:

- A reduction in the multi-asset allocation to 10% of total Scheme assets
- Allocating 50% of the Scheme's assets to a new 'liability matching portfolio' consisting of un-levered gilts and index-linked gilts that aim to broadly match the change in value of the Scheme's liabilities as a result of movements in long-term interest rates and inflation
- Allocating 40% of the Scheme's assets to a low turnover corporate bond fund focusing on investment grade credit rated issuers.

The Trustees were able to carry out this de-risking due to a significant improvement in the Scheme's funding position, namely due to sharp rises in gilt yields over 2023. The changes to the investment strategy were implemented in May 2023 and will be covered in detail in the Reports and Accounts for the year-end 30 April 2024.

Manager selection exercises

One of the main ways in which the Trustees' policy on ESG and stewardship of assets is expressed is via manager selection exercises. When appointing a new investment manager, the Trustees seek advice from their investment consultant on the extent to which potential investment managers are incorporating views on ESG and climate change risks into their investment management process, and the extent to which the investment managers are demonstrating strong active ownership. During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustees monitor the processes and operational behaviour of the investment manager from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the Statement of Investment Principles document. The Trustees will also periodically meet with the Scheme's investment manager and engage with them on the stewardship activities carried out on the Trustees' behalf.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry. In particular, whilst the Trustees have not, to date, introduced specific stewardship priorities, they will monitor the results of those votes deemed by the manager to be most significant in order to determine whether specific priorities should be introduced and communicated to the manager.

The Trustees will periodically meet with LGIM to discuss a range of issues including ESG and stewardship activities. Given the focus on investment strategy, the Trustees did not meet with LGIM in the year to 30 April 2023.

As the Trustees invest through pooled funds, the Trustees recognise that the extent to which they can directly influence LGIM's ESG policies and practices is limited. The Trustees believe that the most effective way to engage with LGIM on ESG and stewardship matters is through the Scheme's investment consultant given they represent a large number of pension scheme investors. The Trustees receive periodic updates from the investment consultant on their ESG engagement activities as well as monitoring the investment consultant's "ESG" research rating for LGIM.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has exposure to equities through its investment in the Legal and General Investment Management ('LGIM') Multi-Asset Fund. Therefore, a summary of the voting behaviour and most significant votes cast by LGIM is shown below.

To define a "significant vote" the Trustees have adopted the definition used by LGIM as the Scheme's investment manager. This definition is set out further below. LGIM has provided the Trustees with details of all votes which they consider significant in the reporting year to 30 April 2023, however for the purpose of this statement the Trustees (with the assistance of their investment advisor) have shown 5 votes which it deems to be most significant.

Please note that all information provided on voting activity has been written by the respective investment manager, and this is reflected in the use of "we/us" throughout. Any views expressed are not necessarily those of the Trustees.

Voting Statistics – LGIM Multi-Asset Fund

LGIM voted on 99.8% of resolutions of which they were eligible out of 100,094 eligible votes, covering 6,288 equity holdings. Of the votes cast, 77.6% were voted for, 21.7% against and 0.7% were abstained. The Trustees are satisfied that LGIM are actively voting on their behalf in almost all cases.

Investment Manager Client Consultation Policy on Voting

LGIM'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 our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM 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. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 our 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.

How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.
For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.
In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. 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 LGIM'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;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.
If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on LGIM's website at: https://vds.issgovernance.com/vds/#/MjU2NQ==/

Does the manager utilise a Proxy Voting System? If so, please detail
LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions. For more information on how we use the services of proxy providers, please refer to the following document available on our website: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice. We retain the ability in all markets to override any vote decisions, which are based on our 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 us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period			
Company	**Voting Subject**	**How did the Investment Manager Vote?**	**Result**
Royal Dutch Shell Plc	**Resolution 20 - Approve the Shell Energy Transition Progress Update**	**Against**	**80% For 20% Against**
We acknowledge 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, we remain concerned about the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.			
Prologis, Inc.	**Resolution 1a - Elect Director Hamid R. Moghadam**	**Against**	**93% For 7% Against**
A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.			
Union Pacific Corporation	**Resolution 1e - Elect Director Lance M. Fritz**	**Against**	**92% For 8% Against**
A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.			

NextEra Energy, Inc.	**Resolution 1j - Elect Director Rudy E. Schupp**	**Against**	**86% For 14% Against**
A vote against is applied as LGIM 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. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.			
BP Plc	**Resolution 3 - Approve Net Zero - From Ambition to Action Report**	**For**	**86% For 14% Against**
While we note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is our view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.			

Signed: ____________________________, Chair of Trustees

Date: 30 November 2023