

Menzies Pension Fund - Implementation Statement

Statement of Compliance with the Menzies Pension Fund's Stewardship Policy for the year ending 31 March 2022

Introduction

This is BESTrustees Limited as Trustee of the Menzies Pension Fund's implementation statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 April 2021 to 31 March 2022.

Stewardship policy

The Trustee's Stewardship Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship Policy is included within the Scheme's Statement of Investment Principles (SIP). The last review of the Stewardship Policy was completed in August 2022 as part of the the review of the Statement of Investment Principles.

The Scheme's Stewardship Policy, which can be found within the SIP, is available to view online at <https://menziesaviation.com/wp-content/uploads/2022/09/Menzies-Pension-Fund-Statement-of-Investment-Principles-August-2022.pdf>

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

Policy implementation

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The Trustee meets with its managers on an annual basis, or more frequently if any matter requires more urgent discussion, and the Trustee considers managers' exercise of their stewardship responsibilities during these meetings.

The Trustee is satisfied that it has complied with the Scheme's Stewardship Policy over the Scheme year ending 31 March 2022.

Voting activity

The Trustee seeks to ensure that its managers are exercising voting rights and where appropriate, to monitor managers' voting patterns. The Trustee also monitors investment managers' voting on particular companies or issues that affect more than one company.

The Scheme invests in equity assets through pooled equity funds managed by LGIM and Longview. The Scheme also had exposure to equity assets through the Ruffer and Schroders multi-asset funds. The investment managers have reported on how votes were cast in each of these mandates as set out in the tables below in the 12 months to 31 March 2022:

Fund name	LGIM UK Equity Index Fund	LGIM Emerging Markets Equity Index Fund	Longview Global Equity Fund	Ruffer absolute return portfolio	Schroders Diversified Growth Fund
Proportion of total Scheme assets	2.9%	2.8%	13.3%	4.2%	8.9%
No. of equity holdings	566	1,624	33	33	1,394
No. of meetings eligible to vote at during the year	772	4,087	31	38	1,932
No. of resolutions eligible to vote on during the year	10,813	34,237	487	565	22,236
% of resolutions voted	100%	100%	100%	93%	95%
% of resolutions voted with management	93%	81%	94%	95%	90%
% of resolutions voted against management	7%	17%	6%	5%	9.0%
% of resolutions abstained	0%	2%	0%	0%	1%
% of meetings with at least one vote against management	44%	49%	42%	32%	47%
% of votes contrary to the recommendation of the proxy advisor	5%	6%	1%	3%	Not disclosed

Note: Longview and Ruffer consider abstaining as a vote against management. Ruffer's appointment has been terminated post the Scheme year end.

The resolutions which the managers voted against management or abstained the most over the year to 31 March 2022 were mainly in relation to:

- General governance; including remuneration policies and perceived CEO duality issues
- Board structure, climate change and other ESG initiatives

Significant votes

The Trustee has asked their managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote.

With the exception of Schroders, each manager responsible for managing equity assets on the Scheme's behalf provided the Trustee with a long-list of significant votes. From that long-list the Trustee has disclosed the top 8 votes based on % holding within each of the Scheme's mandates:

LGIM UK Equity Index Fund

Company name	Date of vote	% of fund	Vote details	Management recommendation	LGIM vote	Why is it significant?	Outcome
Informa Plc	03/06/2021	0.3%	Resolution to re-elect company directors and approve remuneration report	For	Against	LGIM took the rare step of publicly pre-declaring it before the shareholder meeting.	Proposals: re-elect directors approved; remuneration report rejected
The Sage Group Plc	03/02/2021	0.3%	Resolution to re-elect company director	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Proposal approved
JD Sports Fashion Plc	01/07/2021	0.2%	Resolution to re-elect company director	For	Against	LGIM considers this vote to be significant as it represents an escalation of previous engagement with the company on the topic of CEO duality which LGIM oppose.	Proposal approved
EVRAZ Plc	15/06/2021	0.2%	Resolution to re-elect company director	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Proposal approved
Wizz Air Holdings Plc	27/07/2021	0.1%	Resolution to re-elect company director	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Proposal approved
Grafton Group Plc	28/04/2021	0.1%	Resolution to re-elect company director	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Proposal approved
Carnival Plc	20/04/2021	0.1%	Resolution to re-elect company director	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Proposal approved
Balfour Beatty Plc	13/05/2021	0.1%	Resolution to re-elect company director	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Proposal approved

LGIM World Emerging Markets Equity Index Fund

Company name	Date of vote	% of fund	Vote details	Management recommendation	LGIM vote	Why is it significant?	Outcome
Alibaba Group Holding Limited	17/09/2021	3.8%	Resolution to elect company director	For	Against	LGIM considers this vote to be significant as it represents an escalation of previous engagement with the company on the topic of CEO duality which LGIM oppose.	Proposal approved
China Construction Bank Corporation	25/06/2021	1.0%	Vote to approve Report of the Board of Directors	For	Against	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.	Outcome unconfirmed by LGIM at date of writing
Housing Development Finance Corporation Limited	20/07/2021	0.8%	Vote to accept Financial Statements and Statutory Reports	For	Against	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.	Proposal approved
MediaTek, Inc.	10/06/2021	0.7%	Resolution to elect company director	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Outcome unconfirmed by LGIM at date of writing
Industrial & Commercial Bank of China Limited	21/06/2021	0.7%	Resolution to approve Work Report of the Board of Directors	For	Against	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.	Proposal approved
Pinduoduo Inc.	25/07/2021	0.6%	Resolution to elect company director	For	Against	LGIM considers this vote to be significant as it represents an escalation of previous engagement with the company on the topic of CEO duality which LGIM oppose.	Proposal approved
Bank of China Limited	20/05/2021	0.4%	Resolution to elect company director	For	Against	LGIM considers this vote to be significant as it represents an escalation of previous engagement with the company on the topic of CEO duality which LGIM oppose.	Proposal approved
Kweichow Moutai Co., Ltd.	24/09/2021	0.3%	Resolution to elect company director	For	Against	LGIM considers this vote to be significant as it represents an escalation of previous engagement with the company on the topic of CEO duality which LGIM oppose.	Proposal approved

Longview

Company name	Date of vote	% of fund	Vote details	Management recommendation	Longview vote	Why is it significant?	Outcome
Bank of New York Mellon	13/04/2021	4.0%	Vote to reduce Ownership Threshold Required to Act by Written Consent	Against	For	Longview has voted against management (less than 15% of total votes were against management).	Proposal rejected
L3Harris Technologies Inc.	23/04/2021	3.5%	Resolution to elect company director	For	For	More than 15% of total votes were against management. Longview deem 15% of votes against management to constitute a particularly significant vote.	Proposal approved
Charter Communications Inc.	27/04/2021	3.0%	Resolution to elect company director	For	Against	Longview has voted against management – director was deemed to serve on too many boards already	Proposal approved
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Charter Communications Inc.	27/04/2021	3.0%	Shareholder Proposal Regarding Lobbying Report	Against	For	Longview has voted against management	Proposal rejected
Charter Communications Inc.	27/04/2021	3.0%	Shareholder Proposal Regarding Independent Chair	Against	For	Longview has voted against management	Proposal rejected
Charter Communications Inc.	27/04/2021	3.0%	Shareholder Proposal Regarding Diversity and Inclusion Report	Against	For	Longview has voted against management	Proposal rejected
ISS A/S	13/04/2021	0.5%	Remuneration Report	For	For	More than 15% of total votes were against management	Proposal approved

Ruffer

Company name	Date of vote	% of fund	Vote details	Management recommendation	Ruffer vote	Why is it significant?	Outcome
Centene	27/04/2021	1.60%	Resolution to elect company director	For	Against	Votes against the election of directors for material holdings are significant.	Proposal approved
Royal Dutch Shell	18/05/2021	1.50%	Resolution relating to the company's climate transition plan	For	For	The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.	Proposal approved
American Express	04/05/2021	1.00%	Resolution to elect company director	For	Against	Votes against the election of directors for material holdings are significant.	Proposal approved
American Express	04/05/2021	1.00%	Vote on shareholder resolution requesting annual D&I report	For	For	The shareholder resolutions aimed to increase the transparency of the company's Diversity, Equity, and Inclusion Efforts.	Proposal approved
Aena	27/04/2021	0.60%	Advisory Vote on Company's Climate Action Plan	For	For	The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.	Proposal approved
Ambev	29/04/2021	0.60%	Resolution on management remuneration	For	Against	The vote against management was in the context of engagement with the company and the result of extensive internal discussions	Proposal approved
NEC	22/06/2021	0.60%	Resolution to elect company director	For	Against	Votes against the election of directors for material holdings are significant.	Proposal approved
Aena	18/03/2022	0.60%	Vote on election of CEO/Chairman	For	Against	Votes against the election of directors for material holdings are significant.	Proposal approved

Schroders

Although Schroders did not provide the same level of detail as the other investment managers, they did provide some examples of progress on engagements from Q1 2022 where they encouraged changes within companies held in the fund. The Trustee will reiterate their point made last year to Schroders that a greater level of detail is required within their disclosure going forward. The below are some examples of the type of engagement Schroders carried out over the year to 31 March 2022:

Change suggestion – Amazon: Schroders requested that Amazon provide some comparable health and safety statistics, beyond Amazon's own safety leadership index disclosure.

Outcome: Amazon increased disclosure on their health and safety statistics. Additionally, the company have introduced a few comparable safety statistics. Schroders indicated that they would like to see more metrics beyond the safety leadership index to mark this engagement as achieved.

Change Suggestion – Bank of America: Schrodgers asked that the bank develop interim milestones and science-based targets relating to their Paris commitment, plus transparency over methodology. Schrodgers also requested that the company disclose further information on the engagements with highest-risk clients on the climate transition in the banking side of the business.

Outcome: The company published 2030 interim operational targets and has committed to disclosing its financed emissions no later than 2023. The company also confirmed that they would engage with clients in high-risk sectors on net zero. Schrodgers would like to see increased detail surrounding this topic before they can class the objective as achieved.

Engagement activity

To comply with the Scheme's Stewardship Policy, the Trustee has committed to meeting with the Scheme's investment managers at least once a year. The Trustee will usually do this through an annual 'manager day' meeting. The last manager day meeting took place on 12 November 2021 which included all relevant managers.

Prior to each manager meeting the Trustee and its investment advisor sets each manager a comprehensive agenda to assist the Trustee in holding each manager to account. The agenda covers a wide range of topics including review of short and long term performance in the market context, market outlook, risks and opportunities, and responsible investing. Ahead of the 12 November 2021 meeting, the Trustee's investment advisor provided a paper setting out the policies included within the SIP and how the Trustee could comply with the policies through the manager day meeting.

In addition to regular manager day meetings, the Trustee may also meet with the Scheme's managers on an ad-hoc basis, for example to discuss any relevant market themes, concerns or opportunities.

The below table details the engagement meetings with managers over the year to 31 March 2022 and the relevant stewardship matters discussed. All engagement meetings were held on 12 November 2021.

Manager	Stewardship / RI matters discussed	Outcome
LGIM	<p>Integration of responsible investment considerations in the investment process for the portfolio.</p> <p>The positioning of the portfolio with respect to inflation pressures and liquidity risk.</p> <p>Engagement with stakeholders on ESG issues.</p>	<p>The Trustee was comfortable with the Manager's approach to responsible investment and their engagement practices. LGIM integrate ESG principles into the credit research process at a sector and issuer level which they combine with active engagement to drive change.</p> <p>LGIM discussed recent changes to the portfolio and touched on the performance of the underlying funds which was broadly in line with respective benchmarks.</p> <p>LGIM confirmed that the portfolio held 10% in gilts ready to be deployed if credit spreads were to widen sufficiently, such that they would be considered attractive. The manager also confirmed that the portfolio has no concerns with liquidity.</p>
Longview	<p>Reminder of changes to management of the fund.</p> <p>The manager's approach to ESG initiatives and use of specialist tools.</p> <p>Engagement with companies on the quality of data they provide and how this may be improved.</p>	<p>The Trustee was comfortable with the Manager's approach to responsible investment and their engagement practices.</p> <p>Longview reminded the Trustee that Alexander Phillips had taken over the role as CIO, following Alistair Graham's retirement at the end of 2020. They confirmed that there had been no changes to the investment process aside from greater efficiency in their current processes (including pursuing more automation of current processes).</p> <p>The manager discussed their approach to ESG and climate change, noting that they had been using Sustainalytics (a leading independent global provider of ESG and corporate governance research and ratings to investors) for the past 18 months.</p> <p>Longview confirmed that they are engaging with underlying companies to help improve the data they provide, recognising that a poor ESG score is sometimes due to lack of adequate information being provided rather than particular concerns with the underlying company.</p>

Schroders	<p>Integration of responsible investment considerations in the investment process.</p> <p>Whether the fund has specific ESG objectives</p>	<p>The Trustee was comfortable with the Manager's approach to responsible investment and their engagement practices.</p> <p>Schroders noted that ESG is integrated into all of their active strategies. The manager confirmed that, at a fund level, they consider the overall impact of the portfolio on people and planet and separately consider the fund's carbon intensity.</p> <p>Whilst the diversified growth fund does not have a specific ESG objective (there is a sister fund with a sustainability objective) ESG is integrated into their analysis to assist them in making better investment decisions.</p> <p>Schroders previously confirmed that they use external research provided by Sustainalytics to supplement internal ESG research.</p>
Barings	<p>Integration of responsible investment considerations in the investment process.</p> <p>Poor performance of the mandate over 2020.</p> <p>Whether any assessments of the implications of climate change on the portfolio have been undertaken.</p>	<p>The Trustee was comfortable with the Manager's approach to responsible investment and their engagement practices.</p> <p>Barings highlighted that performance has been positive relative to target in 2021, noting that a switch to favour loans in early 2021 had been advantageous, as the floating rate nature of loans was more attractive in a rising interest rate environment</p> <p>Barings previously confirmed that they had partnered with Sustainalytics to enhance their ESG research capabilities.</p> <p>The manager also previously confirmed that they had launched carbon scoring for the portfolio to assess climate impact and will share the outcomes with investors.</p>
ICG	<p>Integration of responsible investment considerations in the investment process.</p> <p>The net zero target of the manager.</p> <p>Engagement with stakeholders on ESG issues.</p>	<p>The Trustee was comfortable with the Manager's approach to responsible investment and their engagement practices.</p> <p>ICG have committed to being net zero by 2040. They are the first alternatives manager to pledge this.</p> <p>ICG have an ESG screen with an exclusion list (including coal, oil, gas, arms, ammunition, tobacco) and risk identifiers covering climate risk, bribery and corruption, reputational risk, corporate governance.</p> <p>Comprehensive ESG due diligence is undertaken prior to investment, and ESG is reviewed and monitored during the term of investments, with an annual ESG survey, regular engagement with portfolio companies and carbon footprinting. ICG also highlighted some deals which had been turned down for Social and Governance reasons.</p>

Following the engagement meetings, the Trustee did not identify any material breaches of its policies and will continue to engage with and monitor each manager against the policies.

Manager engagement activity

The Trustee expects its investment managers to engage with company management on the Scheme's behalf on relevant issues. As part of the manager day meeting each manager was asked to provide case studies of engagement activity on the Scheme's behalf. Of particular importance to the Trustee is the managers'

engagement framework which sets out how they identify companies to engage with, what format the engagement is in (i.e., meetings, letters, press releases) and how the managers then evaluate the impact of their engagement.

Following the manager day meeting on 12 November 2021 the Trustee is satisfied that each manager is carrying out their engagement responsibilities on behalf of the Scheme.

Use of a proxy adviser

The Scheme's investment managers have made use of the services of the following proxy voting advisers over the Scheme year to 31 March 2022:

Manager	Proxy Advisor used
LGIM UK Equity Index Fund LGIM Emerging Market Equity Index Fund	LGIM use Institutional Shareholder Services ('ISS') electronic voting platform to carry out proxy voting. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure ISS votes in accordance with LGIM's position on ESG, the manager has put in place a custom voting policy with specific voting instructions.
Longview Global Equity Fund	Longview use Glass Lewis & Company to carry out proxy voting. All voting decisions are made by Longview, and they do not outsource any part of the strategic decisions.
Ruffer absolute return portfolio	<p>Ruffer use ISS's electronic voting platform to carry out proxy voting. All voting decisions are made by Ruffer, and they do not outsource any part of the strategic decisions. Ruffer has developed their own internal voting guidelines, however they take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues.</p> <p>Ruffer note that 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 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.</p>
Schroders Diversified Growth Fund	<p>Schroders use ISS's electronic voting platform to carry out proxy voting. ISS implements a custom Schroders voting policy which is in line with Schroders' published ESG policy, with only a few resolutions referred to Schroders for a final decision.</p> <p>Holdings are voted by applying Schroders' voting policy, using a variety of sources of information (including the company's statements, Schroders' centralised global research platform, analyst and portfolio managers, brokers' reports and research provided by ISS. Where material, portfolio managers and analysts are consulted for their views and decision on voting.</p>