

Menzies Pension Fund - Implementation Statement

Statement of Compliance with the Menzies Pension Fund's Stewardship Policy for the year ending 31 March 2024 (the Statement").

Introduction

This is BESTrustees Limited as Trustee of the Menzies Pension Fund's ("the Scheme'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 2023 to 31 March 2024.

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 April 2024 as part of the review of the Statement of Investment Principles.

The Scheme's Stewardship Policy, which can be found within the SIP, is also available to view online, here: <https://menziesaviation.com/pensions/>

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 has met 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 2024.

Voting activity

The Trustee seeks to ensure that its investment managers are exercising voting rights and where appropriate, to monitor manager voting patterns. Prior to termination during the Scheme year covered by the Statement, the Scheme invested in equity assets through pooled equity funds managed by LGIM and Longview. The Scheme also had exposure to equity assets through the Schroders diversified growth fund. Each of the Scheme's mandates which contained equities were terminated during the Scheme year. However, 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 2024:

Fund name	LGIM Emerging Markets Equity Index Fund	Longview Global Equity Fund	Schroders Diversified Growth Fund
Proportion of total Scheme assets ^[i]	0.0%	0.0%	0.0%
No. of equity holdings	1,795	30	1,123
No. of meetings eligible to vote at during the year	4,238	23	1,109
No. of resolutions eligible to vote on during the year	33,716	370	14,566
% of resolutions voted	99.9%	100.0%	93.9%
% of resolutions voted with management	80.1%	89.7%	89.3%
% of resolutions voted against management	19.0%	10.3%	10.7%
% of resolutions abstained	0.9%	0.3%	0.4%
% of meetings with at least one vote against management	54.3%	52.2% ^[ii]	54.6%
% of votes contrary to the recommendation of the proxy advisor	7.4%	0.8%	7.3%

^[i]As noted above, equities were terminated during the Scheme year, as such, the holdings were 0% as at 31 March 2024.

^[ii]Longview consider abstaining as a vote against management.

The resolutions which the managers voted against management or abstained the most over the year to 31 March 2024 were mainly in relation to:

- Climate change; including lack of progress, failure to meet minimum expected standards or lack of appropriate targets
- Lack of independence between Board Chair and CEO roles
- Lack of gender diversity at board level
- Excessive executive compensation

Significant votes

The Trustee's investment advisers asked the Scheme's investment 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.

Each manager responsible for managing equity assets on the Scheme's behalf provided the Scheme's investment advisers with a list of significant votes. From that list, the Investment advisers have disclosed the top 5 votes based on the size, date and what they deemed to be of most significant importance to the Scheme's holding within each mandate. Note that for Schroders, the manager provided only 10 significant votes but 6 of those came after the mandate was terminated by the Scheme.

LGIM World Emerging Markets Equity Index Fund

Date of vote	Company name	% of fund	Vote details	Management vote	LGIM vote	Why is it significant?	Outcome
12-May-23	Ping An Insurance (Group) Co. of China Ltd.	0.70%	Resolution 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 companies in climate-critical sectors.	Pass
15-May-23	AngloGold Ashanti Ltd.	0.20%	Resolution to re-elect member of Audit and Risk committee	For	Against	LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf. LGIM expect companies to increase female participation both on the board and in leadership positions over time.	Pass
17-May-23	Tencent Holdings Limited	4.20%	Resolution to elect company director	For	Against	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting companies in climate-critical sectors.	Pass
24-May-23	Gold Fields Ltd.	0.20%	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. LGIM expect companies to increase female participation both on the board and in leadership positions over time.	Pass
06-Jun-23	China Mengniu Dairy Company Limited	0.20%	Resolution to elect company director	For	For	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting companies in climate-critical sectors.	Pass

Longview

Date of vote	Company name	% of fund	Vote details	Management vote	Longview vote	Why is it significant?	Outcome
18-Apr-23	IQVIA Holdings Inc	3.00%	Advisory Vote on Executive Compensation	For	Against	Longview has voted against management due to pay and performance disconnect and >15% of total votes were against management.	Pass
18-Apr-23	IQVIA Holdings Inc	3.00%	Resolution to elect company director	For	For	Longview voted against Glass Lewis's recommendation, Longview voted FOR (in line with management, against Glass Lewis) as IQVIA have disclosed in conference calls that they are continuing clinical trials in Russia.	Pass
25-Apr-23	Charter Communications Inc.	3.00%	Advisory Vote on Executive Compensation	For	Against	Longview has voted against management due to concerning pay practices with excessive grants and >15% of total votes were against management.	Pass
02-May-23	American Express Co.	3.00%	Advisory Vote on Executive Compensation	For	Against	Longview has voted against management due to concerning pay practices with excessive grants and >15% of total votes were against management.	Pass
18-May-23	US Foods Holding Corp	2.00%	Amendment to Articles Regarding the Exculpation of Officers	For	Against	Longview has voted against management as they believe amendment is not in the best interest of shareholders. Also, >15% of total votes were against management.	Pass

Schroders

Date of vote	Company name	% of fund	Vote details	Management vote ^[1]	Schroders vote	Why is it significant?	Outcome
16-May-23	JPMorgan Chase & Co.	0.2%	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	N/A	For	The company is asked to produce a report disclosing how it intends to align its financing activities with its 2030 sectoral GHG emission reduction targets. Schroders welcome additional disclosures that help better understand how the company is implementing its climate strategy.	Fail
24-May-23	Amazon.com, Inc.	0.4%	Report on Efforts to Reduce Plastic Use	N/A	For	Schroders believe that the Company should be making meaningful steps towards eliminating use of plastic within the Company and its operations. More disclosure would enable shareholders to have a more comprehensive understanding of progress.	Fail
02-Jun-23	Alphabet Inc.	0.7%	Report on Framework to Assess Company Lobbying Alignment with Climate Goals	N/A	For	Shareholders would benefit from additional disclosure on how the company's lobbying activities align to its climate goals and how it addresses any misalignment with its trade associations and other indirect lobbying activities.	Fail
03-Aug-23	Jazz Pharmaceuticals plc	0.0%	Elect Director Rick E. Winningham	N/A	Against	Schroders believe the company is behind peers on climate risk management and oversight.	Pass

^[1] Schroders did not provide information regarding the position they took in relation to management voting.

Engagement activity

To comply with the Scheme's Stewardship Policy, the Trustee committed to meeting with the Scheme's investment managers at least once a year. The Trustee usually do this through an annual 'manager day' meeting. The last manager day meeting took place on 23 November 2023. At this date, the Scheme had disinvested from the majority of its mandates and so the meeting included ICG and LGIM only.

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 23 November 2023 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 meeting with ICG and LGIM on 23 November 2023 and the relevant stewardship matters discussed.

Manager	Stewardship / RI matters discussed	Outcome
LGIM	As well as discussing LGIM's Responsible Investment approach, it was noted that Hymans Robertson's research team had downgraded the rating of LGIM's LDI portfolio from "Positive – On Watch" to "Suitable" due to client relationship issues in the wake of the gilts crisis at the tail end of 2022. It was also noted that this was under review by the research team with a view of getting back up to "Positive" once the key objectives which had been set had been met.	The Trustee was comfortable with the Manager's approach to Responsible Investment and their engagement practices. The main focus of the meeting was on the restructuring of the Scheme's assets. The relationship was discussed along with a snapshot of the Scheme's activity over the past 12 months regarding LDI restructuring, the rebalancing following the gilt crisis last year, and the agreed dealing date to improve collateral of the LDI funds. The Trustee was happy with LGIM's update.
ICG	Noted that ICG are rated as "Good" by Hymans Robertson from a Responsible Investment perspective. Discussion around the sale of ICG holding via a broker on the secondary market.	The Trustee was comfortable with the ICG's approach to Responsible Investment and their engagement practices. The main discussions were around the sale of the ICG mandate via a broker on the secondary market. Again, the Trustee was happy with the manager's update.

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

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 23 November 2023, the Trustee was 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 2024:

Manager	Proxy Advisor used
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	On behalf of Longview's institutional clients, Longview employ the services of the proxy voting adviser Glass Lewis, a leading independent provider of corporate governance solutions to the financial services industry. Glass Lewis fulfils two functions. Firstly, as a purely operational process, they ensure the voting instructions provided by Longview are implemented across client accounts. Secondly, Glass Lewis uses publicly available sources of information such as stock exchanges, regulators and company filings to provide research and analysis and make voting recommendations. Glass Lewis has partnered with Sustainalytics and Arabesque in order to provide additional ESG-specific information in their proxy voting analysis.
Schroders Diversified Growth Fund	Schroders switched from ISS to Glass Lewis in Q4 2023, Glass Lewis act as a one service provider for the processing of all Schroders proxy votes in all markets. Glass Lewis delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from Glass Lewis, in line with Schroders own bespoke guidelines, in addition, Schroders receive Glass Lewis's Benchmark research. This is complemented with analysis by Schroders in-house ESG specialists, financial analysts and portfolio managers.