

# MacTaggart Scott & Company Limited Pension and Life Assurance Scheme

## Engagement Policy Implementation Statement

### Introduction

This Statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the in the Statement of Investment Principles (“SIP”) have been followed during the year to 31 December 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

### Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustees’ primary objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

### Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and climate Change. The policies in question were last reviewed in August 2020. The Trustees keep their policies under regular review with the SIP subject to review at least triennially.

### **Scheme's Investment Structure**

The Scheme's only investment is a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers.

As such, the Trustees have no direct relationship with the Scheme's underlying investments managers.

### **Engagement**

In the relevant year the Trustees have not engaged with Mobius or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change.

The Trustees are working with their investment consultant, Mercer, to consider actions that can be taken to engage with their underlying fund managers going forward. This includes the inclusion of ESG specific ratings within performance reporting (with ratings derived by the investment consultant) which will help to determine whether further action should be taken in respect of specific funds.

### **Voting Activity**

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

The table on the following page sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
<b>Baillie Gifford Multi-Asset Growth Fund</b>	<i>Institutional Shareholder Services (ISS) and Glass Lewis</i> – research and recommendations	668	53	12	<p>The list below is not exhaustive but exemplifies potentially significant voting situations:</p> <ul style="list-style-type: none"> <li>➤ Baillie Gifford’s holding had a material impact on the outcome of the meeting;</li> <li>➤ The resolution received 20% or more opposition and Baillie Gifford opposed;</li> <li>➤ Egregious remuneration;</li> <li>➤ Controversial equity issuance;</li> <li>➤ Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;</li> <li>➤ Where there has been a significant audit failing</li> <li>➤ Where Baillie Gifford have opposed mergers and acquisitions;</li> <li>➤ Where Baillie Gifford have opposed the financial statements/annual report;</li> <li>➤ Where Baillie Gifford have opposed the election of directors and executives.</li> </ul>	<p><i>EDP Renovaveis.</i> – Baillie Gifford voted against the election of a company’s Director due to the lack of independence and diversity on the board.</p> <p><i>Gecina</i> – Baillie Gifford voted against three resolutions relating to remuneration as they believe that there is insufficient alignment between pay and performance.</p>

<b>Columbia Threadneedle Multi Asset Fund</b>	ISS – for voting execution and recommendations; Institutional Voting Information Service (IVIS) and Glass Lewis - recommendations only;	6,687	393	242	Any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.	<p><i>Tesco plc</i> – Threadneedle voted against the advisory vote to ratify named executive officers compensation, due to the misalignment between pay and performance and discretion used to alter outcomes.</p> <p><i>Li Ning Company Limited</i> – Threadneedle voted against a resolution to approve issuance of Equity or Equity-Linked securities without preemptive rights due to the dilutive impact for existing shareholders.</p>
<b>Invesco Global Targeted Returns Fund</b>	ISS; Glass Lewis and IVIS – as research providers. ISS and GLL – for recommendations. Henley-based fund managers – for decision making on voting items.	4,934	247	0	Invesco’s criteria to consider a vote as significant: >1% IVZ Ownership and Includes Key ESG proposal;  >1% IVZ Ownership and Part Of ESG Watchlist  >1% IVZ Ownership and Includes Key ESG proposal and Part Of ESG Watchlist.	<p><i>Edenred SA</i> – Invesco voted in favour of a proposal intended to approve the issuance of Equity or Equity-Linked Securities for Qualified Investors, up to Aggregate Nominal Amount of EUR 24,320,485. The proposed volumes respect the recommended guidelines for issuances with and without preemptive rights</p> <p><i>Wolters Kluwer NV</i> – Invesco voted in favour of a proposal intended to authorize the board to exclude preemptive rights from share issuance, because it is in line with commonly used safeguards regarding volume and duration.</p>