

Scottish Midland Co-operative Society Limited Pension Plan

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 30 January 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Plan

The Trustee believes 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 Trustee’s 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 Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Plan.

The Trustee believes that the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

Policy on ESG, Stewardship and Climate Change

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

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

Engagement

In the relevant year the Trustee has not engaged with the investment managers on matters pertaining to ESG, stewardship or climate change.

The Trustee is working with their investment adviser, to consider actions that can be taken to engage with their investment managers going forward.

Voting Activity

The Trustee has concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustee from time to time, take into account the financial interests of shareholders and should be for the Plan's benefit.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee will exercise their right in accordance with what they believe to be the best interests of the majority of the Plan's membership.

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 tables on the following page set out a summary of the key voting activity for the relevant funds over the financial year. We have included voting information for the year ending 31 December 2020 in line with data available from the investment managers.

Votes for the AVC funds have not been considered as they are not considered to be material in the wider context of the Scheme.

Equity – Standard Life Vanguard

- Vanguard Investment Stewardship team votes on behalf of Vanguard's internally managed equity holdings. Vanguard casts proxy votes via dedicated voting providers. The manager consults a wide variety of third party research providers and their own internal proprietary databases. They then analyze the various issues and ballot measures in conjunction with their Proxy Voting Guidelines and other relevant data to reach their own independent decisions. The Investment Stewardship team uses a variety of research from well-known providers, such as ISS, Glass Lewis, and Equilar, as well as a number of smaller research providers.

- Vanguard does not rely on recommendations from proxy advisors for their voting decisions. They believe it is valuable to understand all sides of an issue before casting a vote on behalf of a Vanguard fund. As such, proxy advisors can be a useful data aggregator which serves as one of the many inputs that Vanguard's Investment Stewardship team uses to reach independent voting decisions on each funds' behalf.
- Vanguard Investment Stewardship utilizes the Institutional Shareholder Services (ISS) ProxyExchange platform for the execution of votes. They have developed a robust custom policy that ISS has implemented on their behalf along with rigorous controls and oversight mechanisms to ensure the accurate application of the Vanguard policy.
- Vanguard publishes significant votes at an entity level in line with the Shareholders Rights Directive II. Vanguard has identified a range of criteria that they contribute to a vote being deemed as a 'Significant vote'. The criteria is applied to companies that are held in their internally managed equity portfolios.

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Vanguard FTSE Developed Europe ex UK Common Contractual Fund	8,538	445	4	<p>Anheuser-Busch InBev SA/NV Resolution – “Approve Remuneration Report”</p> <p>Voting: Vanguard voted against the resolution.</p> <p>Rationale: Misaligned with proxy voting policy—concerns with structure.</p>
Vanguard FTSE U.K. All Share Index Unit Trust	10,596	101	8	<p>The manager shared no significant votes.</p>
Vanguard Japan Stock Index Fund	3,920	30	0	<p>The manager shared no significant votes.</p>
Vanguard Pacific ex-Japan stock Index Fund	1,139	43	0	<p>CK Hutchison Holdings Limited Resolution – “Elect Edith Shih as Director”</p> <p>Voting: Vanguard voted against the resolution.</p> <p>Rationale: Misaligned with proxy voting policy—oversight failure, noncompliance with the Hong Kong governance code without a compelling reason.</p>
Vanguard US Equity Index Common Contractual Fund Common Contractual Fund	6,595	111	0	<p>Facebook, Inc. Resolution – “Require Independent Board Chair”</p> <p>Voting: Vanguard voted for the resolution.</p> <p>Rationale: Support warranted—ongoing, unmitigated concerns regarding independence.</p>

Diversified Growth - Columbia Threadneedle

- Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and their proxy voting practices are implemented through their Proxy Voting Policy.
- For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis (i.e., mergers and acquisitions, share issuances, proxy contests, etc.), the analyst covering the company or the portfolio manager that owns the company will make the voting decision
- Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. They have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.
- Columbia Threadneedle considers a significant vote to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where they support a shareholder-tabled proposal not endorsed by management.

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Threadneedle Pensions Multi Asset Fund	6,687	393	242	<p>Facebook, Inc.</p> <p>Resolution – “Report on Median Gender/Racial Pay Gap”</p> <p>Voting: Columbia Threadneedle voted for the resolution.</p> <p>Rationale: Material social risk for business and in shareholders' interests.</p>

Diversified Growth - Baillie Gifford

- Baillie Gifford's Governance and Sustainability team oversees their voting analysis and execution in conjunction with their investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. Baillie Gifford utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and endeavour to vote every one of their clients' holdings in all markets.
- Baillie Gifford utilizes ISS and Glass Lewis for research and voting recommendations only.
- The list below is not exhaustive, but exemplifies potentially significant voting situations:
 - Baillie Gifford's holding had a material impact on the outcome of the meeting
 - The resolution received 20% or more opposition and Baillie Gifford opposed
 - Egregious remuneration
 - Controversial equity issuance
 - Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
 - Where there has been a significant audit failing
 - Where Baillie Gifford opposed mergers and acquisitions
 - Where Baillie Gifford have opposed the financial statements/annual report
 - Where Baillie Gifford have opposed the election of directors and executives.

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Baillie Gifford Multi Asset Growth Fund	668	53	12	<p><i>EDP Renovaveis Resolution – “Elect Director(s)”</i></p> <p><i>Voting:</i> Baillie Gifford voted against the resolution.</p> <p><i>Rationale:</i> Baillie Gifford opposed the election of a director due to the lack of independence and diversity on the board..</p>