

Implementation statement

McCain Foods (GB) Limited Pension & Life Assurance Scheme Statement of Investment Principles - Annual Implementation Statement

Scheme year ended 30 June 2021

1 Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the McCain Foods (GB) Limited Pension & Life Assurance Scheme (“the Scheme”) covering the scheme year to 30 June 2021 (“the year”). The purpose of this statement is to set out:

- How, and the extent to which, in the opinion of the Trustees, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year; and
- A description of voting behaviour (including the “most significant” votes made on behalf of the Trustees) and any use of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“SIP”) are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustees’ SIP.

A copy of this Implementation Statement has been made available on the following website: www.mccain.co.uk under the link ‘Pension & Life Assurance: Governance’.

Review and changes to the SIP

The SIP was updated as at September 2020 in relation to new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2020 which required trustees to set out their policy in relation to their arrangements with asset managers including:

- how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees’ policies;
- how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
- how the method (and time horizon) of the evaluation of the asset manager’s performance and the remuneration for asset management services are in line with the trustees’ policies mentioned in sub-paragraph;
- how the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
- the duration of the arrangement with the asset manager.

For the purpose of assessing how the Scheme’s SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2020. In the opinion of the Trustees, they have complied with the policies outlined in the SIP.

Subsequent changes to the SIP

Since the scheme year-end, further changes to the SIP have been made following the agreement of the Scheme’s tri-annual actuarial valuation. There were updates to the Scheme’s objectives along with some minor format changes and the SIP was adopted by the Trustees in September 2021.

2 Voting and engagement

As set out in the previous section, the Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees’ agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager and in turn to the Scheme's investment managers.

The Trustees have delegated day to day ESG integration and stewardship activities (including voting and engagement) to its investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance ("ESG") and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity managers (including listed infrastructure and real estate) as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", three have been shown below.

Further information on the voting and engagement activities of the managers is provided in the table below.

At the end of the year, the Fund's equity holdings were invested across five pooled funds:

- Towers Watson Investment Management ("TWIM") Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active China equity fund
- Manager B – an active Emerging Markets equity fund
- LGIM Heitman Global Prime Property Securities Fund - a passive global equity fund focussed on equity related to prime properties
- LGIM Infrastructure Equity MFG Fund – a passive global equity fund focusses on equity related to infrastructure companies

As outlined above, the Scheme is invested in both active and passive equity funds. For the active funds, the Trustees have decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM fund, and Managers A and B. Given the nature of these investments, the Trustees believe that publicly disclosing the names of the Scheme's investment managers could impact the investment manager's ability to generate the best investment outcome for the Scheme and ultimately, the Scheme's members.

Further information on the voting and engagement activities of the managers is provided below:

Manager and strategy	Portfolio structure	Voting activity (as at June 2021)
Towers Watson Investment Management Global Equity Focus Fund	Pooled multi-manager equity fund	Number of meetings at which the manager was eligible to vote: 174 Number of resolutions on which manager was eligible to vote: 2,921 Percentage of eligible votes cast: 99% Percentage of votes with management: 90% Percentage of votes against management: 10% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 58% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10%
Use of proxy voting	The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote investors' shares. TWIM also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers are ultimately responsible for the votes.	

Manager and strategy	Portfolio structure	Voting activity (as at June 2021)
Manager A – an active Chinese equity fund	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 111</p> <p>Number of resolutions on which manager was eligible to vote: 949</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 95%</p> <p>Percentage of votes against management: 5%</p> <p>Percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 13.5%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11%</p>
Use of proxy voting	The manager uses Glass Lewis' voting recommendation service.	

Manager and strategy	Portfolio structure	Voting activity (as at June 2021)
Manager B – an active Emerging Markets equity fund	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 78</p> <p>Number of resolutions on which manager was eligible to vote: 674</p> <p>Percentage of eligible votes cast: 97%</p> <p>Percentage of votes with management: 89%</p> <p>Percentage of votes against management: 9%</p> <p>Percentage of votes abstained from: 2%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 33%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0%</p>
Use of proxy voting	The manager augments their independent research by using Institutional Shareholder Services Inc. ("ISS") as an additional source of information.	

Manager and strategy	Portfolio structure	Voting activity (as at June 2021)
LGIM Heitman Global Prime Property Securities Fund	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 111</p> <p>Number of resolutions on which manager was eligible to vote: 1,223</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 84%</p> <p>Percentage of votes against management: 16%</p> <p>Percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 5%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0%</p>
Use of proxy voting	The manager's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by the manager and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.	

Manager and strategy	Portfolio structure	Voting activity (as at June 2021)
LGIM Infrastructure Equity MFG Fund	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 91</p> <p>Number of resolutions on which manager was eligible to vote: 1,158</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 85%</p> <p>Percentage of votes against management: 15%</p> <p>Percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 6%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0%</p>
Use of proxy voting	The manager's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by the manager and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.	

TWIM and Manager A provided significant voting data for their relevant funds and we have shown three of each as a representative. The TWIM Global Equity Focus Fund is a multi-manager equity fund and so voting is the responsibility of the underlying managers and not TWIM.

Coverage in portfolio	Size of holdings	Most significant votes cast
Manager within the Towers Watson Investment Management Global Equity Focused Fund	2.0%	<p>Company: <u>Amazon</u></p> <p>Resolution: Report on the impacts of plastic packaging</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The manager believed that the disclosures would promote transparency around environmental issues.</p> <p>Rationale for being considered a significant vote: The manager categorised this vote as significant given they consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p> <p>Outcome of the vote: Against</p> <p>Lessons learned/ future implications: The manager continues to consider proposals whether from management or shareholders which enhance transparency around environmental issues.</p>
Manager within the Towers Watson Investment Management Global Equity Focused Fund	0.7%	<p>Company: <u>IHS Markit</u></p> <p>Resolution: Advisory vote on golden parachutes</p> <p>How the manager voted: Against</p> <p>Rationale for the voting decision: The manager has concern over excessive compensation, in particular the \$40mm retention bonus for CEO Lance Uggla to stay on for one year as adviser after the deal close</p> <p>Rationale for being considered a significant vote: The manager categorised this as a significant vote as they consider executive compensation structures a key factor in determining management strength and sound governance practices.</p> <p>Outcome of the vote: Against</p> <p>Lessons learned/ future implications: The manager plans to continue to monitor executive pay.</p>

<p>Manager within the Towers Watson Investment Management Global Equity Focused Fund</p>	<p>0.9%</p>	<p><u>Company: Unilever</u></p> <p>Resolution: Cross border merger</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The manager is a long-term holder of consumer goods company, Unilever, having initiated a position in the company in 2001. In 2018 they engaged extensively with management and other institutions regarding a proposed modification to Unilever’s corporate structure. The proposed plans were abandoned at the time. During Q2 2020 Unilever announced an about-face on the 2018 plan to move its headquarters to Rotterdam, naming London as its proposed new home. The manager supports the concept of a single parent company that makes share-based acquisitions and demergers easier to undertake and also allows greater flexibility at a time when they are looking to management to use their balance sheet to capitalise on post-pandemic opportunities.</p> <p>Rationale for being considered a significant vote: The manager was pleased to once again engage with management on this matter and in this instance support its proposed plans. The vote signals the end to an engagement that has dated back to 2018 and has demonstrated the power of shareholders to protect their rights.</p> <p>Outcome of the vote: For</p> <p>Lessons learned/ future implications: n/a</p>
<p>Manager A – an active Chinese equity fund</p>	<p>1.03%</p>	<p><u>Company: Yunda Holding Co. Ltd</u></p> <p>Resolution: Adjustment of Performance Appraisal for Previous Employee Restricted Shares Plan; Authorization to the Board to Handle Matters Regarding the Employee Restricted Shares Plan</p> <p>How the manager voted: Against</p> <p>Rationale for the voting decision: The manager believed that the performance hurdle is not proper if they include Best Express (which is the worst) as one of the 4 peers.</p> <p>Rationale for being considered a significant vote: Against management</p> <p>Outcome of the vote: For</p> <p>Lessons learned/ future implications: More stringent activity on future matters in relation to governance, better communication with portfolio companies on areas for improvement</p>
<p>Manager A – an active Chinese equity fund</p>	<p>0.88%</p>	<p><u>Company: Chaozhou Three-Circle(Group) Co.Ltd</u></p> <p>Resolution: Authority to Issue Shares w/o Pre-emptive Rights</p> <p>How the manager voted: Against</p> <p>Rationale for the voting decision: The manager had concerns about potentially excessive dilution and felt that the company did not need to issue new shares given its healthy balance sheet.</p> <p>Rationale for being considered a significant vote: Against management</p> <p>Outcome of the vote: The total amount of funds raised in this issuance to specific targets reduced to RMB 3.9bn instead of 7.5bn</p> <p>Lessons learned/ future implications: More stringent activity on future matters in relation to governance, better communication with portfolio companies on areas for improvement</p>

Manager A – an active Chinese equity fund	3.93%	<p><u>Company: SF Holding</u></p> <p>Resolution: Authority to Give Guarantees for Company's Wholly-Owned Subsidiary to Issue Debt Financing Instruments Overseas</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The manager believed that strong volume growth and expansion in overseas market needed additional capital support, and the company's track record in capital allocation management allocation is solid. The size and price discount of this equity placement is reasonable.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p> <p>Lessons learned/ future implications: More stringent activity on future matters in relation to governance, better communication with portfolio companies on areas for improvement</p>
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Industry wide / public policy engagement:

The Fiduciary Manager has partnered with EOS at Federated Hermes ("EOS") to undertake public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which TWL is currently the Chair. Engagement activities by EOS on public policy over the year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, where EOS lead or co-lead 30 engagements and support another 14;
- Working closely with the Principles for Responsible Investment ("PRI"), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;
- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The Fiduciary Manager is also engaged in several industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment ("PRI") and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change ("IIGCC"), Asian Investors Group on Climate Change ("AIGCC"), and Australasian Investors Group on Climate Change ("IGCC");
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network