

Engagement Policy Implementation Statement (“EPIS”)

The Calmac Pension Fund (the “Fund”)

Fund Year End – 5 April 2023

The purpose of the EPIS is for us, the Trustees of the Calmac Pension Fund, to explain what we have done during the year ending 5 April 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Fund’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Fund’s material investment managers were able to disclose adequate evidence of voting and/or engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

Our investment managers provided us with high-quality engagement information that was sufficient for us to deduce that the policies in our SIP had been implemented effectively, however, there are areas where we would like to see additional details, as set out in our engagement action plan.

Some managers were only able to provide information at a firm level or fund level only, we will engage with these managers to provide more information to assess engagement activity more holistically.

How voting and engagement policies have been followed

The Fund is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Fund's investment managers. We reviewed the stewardship activity of the material investment managers carried out over the Fund year and in our view, most of the investment managers were able to disclose adequate evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Fund is invested in where available.

The Fund's stewardship policy can be found in the SIP: [SIP-September-2020-VFinal.pdf \(cmassets.co.uk\)](#)

Our Engagement Action Plan

Aon as our investment advisor will continue to engage with our investment managers to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies. We will also encourage our managers to improve the quality and completeness of their reporting on voting and engagement.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Fund's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Fund's material funds with voting rights for the year ending 31 March 2023. The managers collate voting information on a quarterly basis, hence the voting information was provided as at 31 March 2023, which broadly matches the Fund year end.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - Developed Balanced Factor Equity Index Fund (Hedged and Unhedged)	11,712	99.8%	20.2%	0.1%
Harris Associates L.P. - Global All Cap Equity Fund	889	100.0%	8.0%	0.0%
Sands Capital Management LLC - Global Growth Equity Fund	385	100.0%	4.7%	0.0%

Source: Managers.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Fund's managers use proxy voting advisers.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

	Description of use of proxy voting adviser(s)
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Service's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.
Harris Associates L.P.	Harris follows their Proxy Voting Policy, except where the analyst covering a stock recommends voting otherwise. In these cases, final decision rests with the Proxy Voting Committee.
Sands Capital Management, LLC	Sands vote proxies themselves, but consider the recommendations of proxy advisors such as ISS and Glass Lewis in their voting decisions.

Source: Managers.

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Fund's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Fund's investments. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Fund's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the fund invested in by the Fund.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM - Developed Balanced Factor Equity Index Fund (Hedged and Unhedged)	297	1,224	Environment - Climate change Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration
Harris Associates L.P. - Global All Cap Equity Fund	<i>Not provided</i>	<i>Not provided</i>	Environment – Climate change Governance – Leadership – Chair/CEO, Board effectiveness
Sands Capital Management, LLC -Global Growth Equity Fund	148	355	Environment - Climate change, Natural resource use/impact Social - Human and labour rights, Human capital management Governance - Board effectiveness, Remuneration Strategy, Financial and Reporting - Capital allocation, Strategy/purpose
Basalt Infrastructure Partners II	<i>Not provided</i>	120	Environment - Climate change Social - Human and labour rights, Human capital management Governance - Board effectiveness – Diversity Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting), Risk management (e.g., operational risks, cyber/information security, product risks)
M&G Investments Illiquid Credit Opportunities (ICOF) Fund II and Inflation Opportunities Fund	<i>Not provided</i>	157	Environment - Climate change Social - Human and labour rights, Human capital management Governance - Board effectiveness - Independence or Oversight, Remuneration
M&G Investments UK Long Dated Corporate Bonds	<i>Not provided</i>	157	Environment - Climate change Social - Human and labour rights, Human capital management Governance - Board effectiveness - Independence or Oversight, Remuneration
PFI Infrastructure	<i>Not provided</i>	14	Environment - Climate change, Pollution, waste Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting – Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting)
BlackRock UK Property Fund	<i>Not provided. The manager stated that this fund does not hold publicly listed securities, hence they do not generate engagement reports.</i>		
Schroders UK Property Fund	<i>Not provided</i>	>2800	Environment - Climate change, Natural resource use/impact, Pollution, Waste Social - Human and labour rights, Human capital management, Public health Governance - Board effectiveness - Diversity
Meridiam Infrastructure Fund	<i>Not provided</i>		
CBRE Long Income Investment Fund	<i>Not provided. The manager stated it does not collate statistics on the number of engagements. Typically, the Firm, and its property managers, are in regular communication with the tenants of directly owned real estate assets, rather than single engagement events.</i>		

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
BlackRock – Absolute Return Bonds Fund	391	<i>Not provided</i>	Environment - Climate Risk Management, Operational Sustainability Social - Human Capital Management, Social Risks and Opportunities Governance - Board Composition and Effectiveness, Corporate Strategy, Remuneration

Source: Managers. Harris Associates provided firm-level themes.

Data limitations

We will engage with the managers to encourage improvements in reporting.

This report does not include commentary on the Fund's gilts or cash because of the limited materiality of stewardship associated with these asset classes.

Further, this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Fund's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Fund's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM - Developed Balanced Factor Equity Index Fund (Hedged and Unhedged)	Company name	Eli Lilly and Company
	Date of vote	May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.9%
	Summary of the resolution	Require Independent Board Chair
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).
Harris Associates L.P. Global All Cap Equity Fund	Company name	Alphabet Inc.
	Date of vote	June 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	6.2%
	Summary of the resolution	Approve Recapitalization Plan for all Stock to Have One-vote per Share
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	We agree with the proponent that a one-vote-per-share capital structure would further align economic interest and voting power. We therefore voted FOR this resolution.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will	Not Provided

	you take in response to the outcome?	
	On which criteria have you assessed this vote to be "most significant"?	Vote against management
Sands Capital Management, LLC - Global Growth Equity Fund	Company name	Amazon.com, Inc.
	Date of vote	May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.8%
	Summary of the resolution	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No. We engaged with the company on the topics of labour and health and safety before the vote.
	Rationale for the voting decision	We believe this issue has reached a level of importance, where a report could be useful. While we agree that Amazon is committed to responsibly using its technology products and services and has taken steps to address illegal and discriminatory use, the primary mechanism has been through customer contractual requirements and policies. Given the proliferation and importance of artificial intelligence and machine learning, this topic is one where Amazon has an opportunity to be a thought leader through transparency.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We will continue to monitor this issue and if needed, continue our engagement with the company.
	On which criteria have you assessed this vote to be "most significant"?	The criteria we selected to assess the "significance" of the vote were the dissent level, shareholder proposals we voted FOR, times we voted AGAINST management or ISS, historical votes on similar proposals, and overall relevance to the strategy.

Source: Managers.