

Macmillan Cancer Support Pension Scheme

31 December 2022

Implementation Statement

1. Introduction

We, the trustees of the Macmillan Cancer Support Pension Scheme (the Trustees) are obliged, acting in our capacity as trustees of the Macmillan Cancer Support Pension Scheme (the Scheme), to prepare a yearly statement (the Implementation Statement) setting out how we have complied with the Scheme's Statement of Investment Principles (the SIP). The SIP details the Scheme's investment strategy, including its investment objectives and policies. The Implementation Statement must include for the relevant period:

- A description of any amendments to the SIP.
- How, and the extent to which, in our opinion, compliance with the SIP has been achieved.
- How we have demonstrated good stewardship over the Scheme's investments, including:
 - o a description of how, and the extent to which, policies on investment rights (including voting) and engagement described within the SIP have been complied with;
 - o a description of voting behaviour by us or made on our behalf; and
 - o a statement on any use of a proxy voter's services.

This document is the Implementation Statement for the period from 1 January 2022 to 31 December 2022, and has been prepared in accordance with regulatory requirements and guidance published by the Pensions Regulator. This Implementation Statement is based on the SIP that applied during 2022, which is available at <https://www.macmillan.org.uk/about-us/working-with-us/pension-scheme>

2. Amendments to the SIP

During 2022, there were no material changes to the Scheme's governance arrangements, investment policy, nature of risks, fees or stewardship practices. As a result, the SIP was not amended during 2022.

3. Compliance with the SIP

We monitor compliance with the SIP regularly. During 2022, the SIP continued to state that:

- To maintain a level of self-sufficiency funding, the preliminary objective for the Scheme's investments was to achieve a return (increase in assets) that is 0.5% higher than the return on UK government bonds, after deduction of fees, each year.
- To cover the cost of an insurance company taking on the risks and providing all the promised benefits of the Scheme in the future, the secondary objective for the Scheme's investments was to achieve a return that is 0.8% higher than the annual return on UK government bonds, after deduction of fees, averaged over a three-year period.

These strategic investment objectives continued to guide our investment decision making in 2022. We are pleased to report that, in another year of significant financial market volatility, the Scheme's investments outperformed both these strategic investment objectives, and that outperformance extended to three and five-year periods.

In addition, in 2022 we continued to review the information provided by our fiduciary manager, Van Lanschot Kempen Investment Management (VLK) and our other advisors, which contributed to ensuring compliance with the SIP.

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In particular, we received periodic investment reports and investment updates from VLK that provided:

- details of the Scheme's asset allocation;
- details of the value of the Scheme's investments, and the estimated value of the Scheme's liabilities from which an estimated Scheme funding level can be determined;
- progress of the Scheme funding level with respect to the Scheme's funding targets;
- details of the performance of the Scheme's individual investments;
- details of the performance of the Scheme's total investments, including relative to the Scheme's estimated liabilities and strategic investment objectives;
- details of the hedging of the interest rate and inflation risks associated with the Scheme's liabilities, and whether the hedging was working as expected;
- details of the investment risk of the underlying investments used by the Scheme, and the change in the Scheme's total investment risk over time;
- the responsible investment characteristics of the underlying investments used by the Scheme; and
- details of the engagement behaviour of both VLK and the underlying asset managers they appoint on our behalf, including their voting behaviour.

We are satisfied that, during 2022, the policies set out in the SIP were followed, including:

- investing the Scheme's assets according to the investment policy and the investment strategy advised and implemented by VLK. In particular, the Scheme's assets continued to be invested only within the permitted investment types set out in the SIP, and within the specified ranges;
- choosing suitable investments to achieve the right balance between risk and return, so as to ensure the security, quality, liquidity and profitability of the Scheme's assets;
- managing the key risks of the Scheme appropriately;
- monitoring the underlying asset managers of the Scheme's investments, and the performance of those managers relative to the Scheme's objectives;
- managing environmental, social and governance (ESG) risks appropriately; and
- exercising the rights (including voting rights) attaching to the Scheme's investments.

A summary of the engagement behaviour of both VLK and the underlying asset managers they appoint on our behalf is provided in sections 4 and 5 below.

4. Stewardship – VLK monitoring and engagement behaviour

Background

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

As set out in our SIP, we acknowledge that ultimate power and responsibility for investment decision-making lies solely with us, but we delegate many of our investment responsibilities to VLK, which has the skill and expertise necessary to manage the Scheme's investments in accordance with our investment strategy and achieve our strategic investment objectives.

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We do not monitor, or engage directly with, issuers of, or holders of, debt or equity, but instead delegate this activity to VLK and to the underlying asset managers appointed by VLK. We expect VLK to undertake regular monitoring and engagement in line with its' own corporate governance policies, taking account of current best practice, including the UK Corporate Governance Code 2018 and the UK Stewardship Code 2020. Our SIP sets out the approach we have agreed with VLK to ethical investing, sustainability, corporate governance and socially responsible investing.

VLK expects the underlying asset managers they select, and who are regulated in the UK, to comply with the UK Stewardship Code 2020, including public disclosure of compliance via an external website. VLK also expect those managers to exercise rights attached to their investments, including voting rights, and to engage with issuers of debt and equity and other relevant persons about matters such as performance, strategy, management of actual or potential conflicts of interest, and ESG considerations.

ESG criteria are a set of non-financial indicators relating to a company's operations that are used by investors to evaluate corporate behaviour and to determine how it may impact the future financial performance of companies. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

There are several levels of engagement at VLK. They engage:

- with the underlying asset managers they appoint;
- with companies they invest in directly (e.g. within VLK products); and
- via collaborative engagement with industry stakeholders, such as regulators, industry initiatives, benchmark providers, and peers.

VLK monitoring of underlying asset managers they appoint

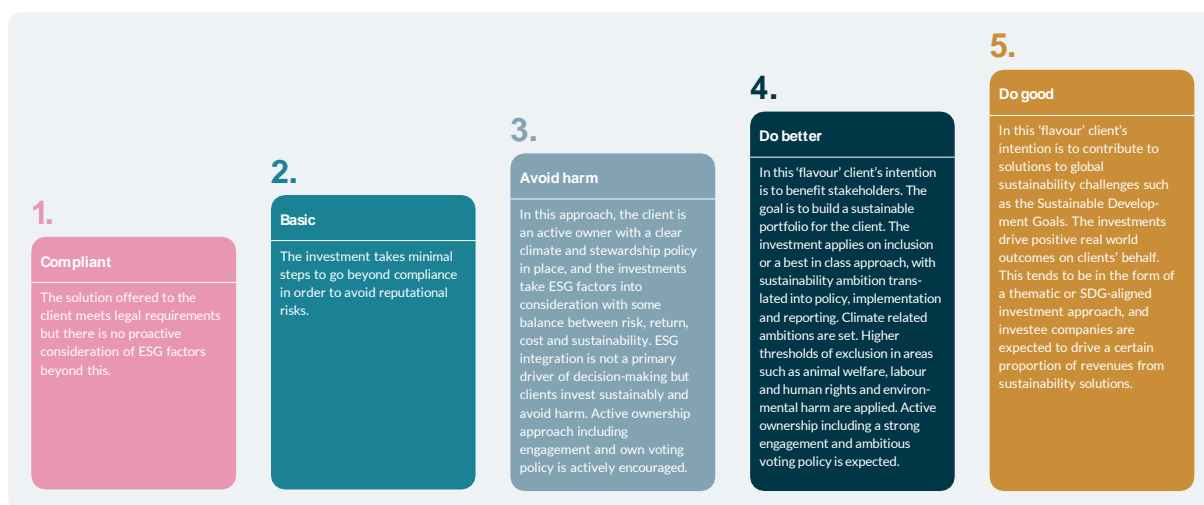
VLK has limited influence over an asset managers' investment practices where assets are held in pooled funds. However, it has, throughout 2022, encouraged its chosen managers to improve their own stewardship and engagement practices, and consider ESG factors and their associated risks. VLK uses the following methodology to monitor and engage with the underlying asset managers they appoint:

- ESG criteria are assessed based on international conventions and initiatives, such as the UN Global Compact and the Principles for Responsible Investment (PRI);
- All managers are screened against ESG criteria before inclusion in VLK's approved manager list. For example:
 - does the manager have a responsible investment policy?
 - is the manager open for a dialogue on ESG criteria? and
 - does the manager have exposure to companies that are on VLK's exclusion & avoidance list?
- All managers are reviewed against ESG criteria on an ongoing basis. For example:
 - do responsible investing considerations continue to be integrated into their investment process?
 - is the manager making progress?
 - is the manager well informed and up-to-speed on ESG criteria and initiatives? and
 - is there periodic screening of all the underlying equity and debt securities held by the manager within their investment products, to check for exclusion candidates?
- VLK encourages its chosen managers to improve their practices where appropriate.

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Since we believe that most Scheme members would not want the Scheme to be invested in tobacco, our SIP includes a commitment to us working with VLK to remove exposure to tobacco companies. Tobacco companies are included on VLK's exclusion & avoidance list, which means VLK actively encourages underlying asset managers it selects to remove tobacco exposure from their funds. Throughout 2022 the Scheme continued to have no exposure to tobacco.

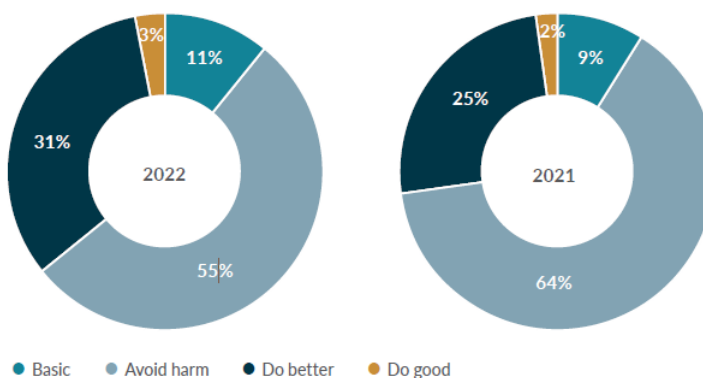
VLK have created a proprietary scoring framework (the Sustainability Spectrum) to help them understand and evaluate how underlying asset managers integrate various ESG factors into their investment products and processes. Within this framework, underlying asset managers and their products (i.e. pooled funds) are classified into one of five different levels: Compliant (level 1), Basic (level 2), Avoid harm (level 3), Do better (level 4), Do good (level 5).



Scoring listed funds

Over 2022 VLK have continued to apply this scoring methodology to rate the ESG characteristics of the underlying asset managers and investment products used within client strategies. They scored 385 listed funds by the end of 2022, which represents around 58.4% of VLK's assets under management (AuM). The pie charts below show a breakdown of how the listed funds of external asset managers scored in 2022 (as compared to 2021), ranging from 'Basic' to 'Do Good'. As a percentage of scored AuM, 11% of the funds scored 'Basic', 55% scored 'Avoid harm', 31% scored 'Do better' and 3% scored 'Do good'.

Sustainability scores of external managers



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VLK do not proactively offer their clients products whose score is Compliant or Basic. Products that scored within these categories were either legacy investment products that have been adopted by VLK when clients transition to their fiduciary solution, or older products from VLK's Approved List (including some in passively managed solutions) which VLK are in the process of replacing with more sustainable investment products (an exercise that VLK have been undertaking for a number of years).

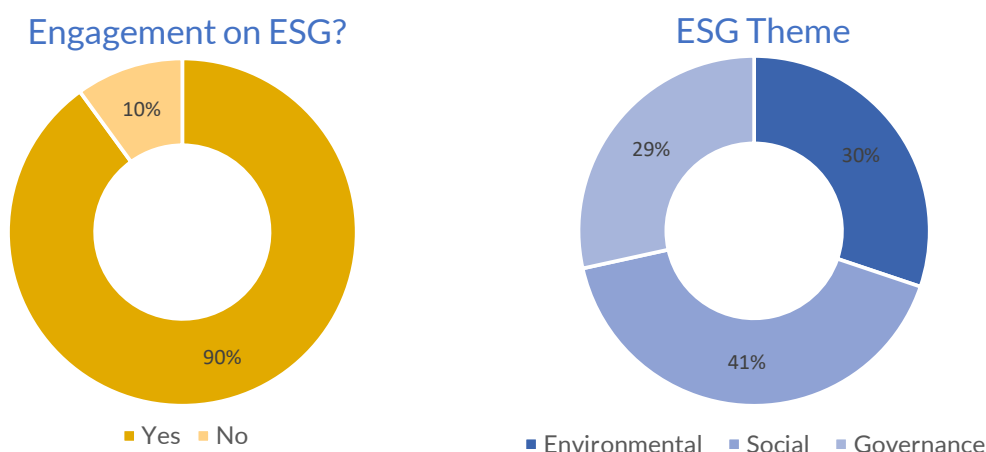
Scoring alternative funds

In 2022, VLK continued to assess funds in private markets and alternative asset classes. Although the ESG scores are not completely aligned with the listed asset classes mentioned above, they do give a good indication about the sustainability approach of the underlying asset managers. In 2022, 91 underlying funds were assessed on ESG, of which 15 scored Basic; 28 scored Avoid harm; 38 scored Do better; and 10 scored Do good. The scores of Basic and Avoid harm are not unexpected, as it has historically been more challenging for alternative funds to apply sustainability in a similar way to listed funds.

VLK engagement & examples

In order to help external asset managers to improve their sustainability and ESG characteristics, VLK regularly engage with them on their sustainability commitments and performance. In 2022 VLK proactively engaged with 80 external asset managers which can be broken down to 39 listed external managers, 31 private markets managers, and 10 managers linked to alternative strategies. VLK's Manager Research Solutions Team engage with external asset managers on compliance with VLK's exclusion list and on alignment with the sustainability ambitions of VLK and their clients.

The pie charts below show the proportion of those engagements linked to an ESG topic, and where those topics were linked to ESG, which theme was the focus of the engagement.



On the next page is a specific engagement example to show how VLK are monitoring and engaging with the Scheme's underlying asset managers (in this case, Insight Investment Management) with respect to ESG topics.

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Engagement Example:

Engagement type	Engagement on specific companies/industries (other)
Engagement topic	Social
Manager	Insight
Funds/mandates involved	Maturing Buy and Maintain Funds (MBAM)
Company	Volkswagen
Reason for engagement	Insight has exposure to Volkswagen, a name that has been added to VLK’s exclusion list on the back of the MSCI ESG Red Flag it received relating to employment conditions in China.
Summary of discussion with manager	<p>Prelude: Insight had communicated before that they do not buy companies with MSCI ESG red flags within the MBAM funds. Volkswagen was already a name in a couple of the MBAM funds and Insight continue to hold the company debt while digesting the red flag and consider engagement. Our expectation was that there would be a hasty positive resolution within a reasonable time frame, but it has now been 3 months since we first reached out to Insight with no change. We therefore scheduled an update call to fully understand the situation.</p> <p>Update from Volkswagen: They explained that the VW China CEO visited the Urumqi plant to review the situation. The VW statement that followed this visit mentioned that employment of the 240 employees at the Urumqi plant predate the initial MSCI ESG allegations with employment of over four years. All employees have individual contracts with the JV, and minorities are fully (17% of employees are Uyghur) supported by policies and pay is higher than the industry average in the region.</p> <p>Update from MSCI ESG: No real update from MSCI ESG. MSCI ESG has updated the VW case recently but only referred to the additional VW communication.</p> <p>Insight’s view: Insight plans to continue its engagement with Volkswagen. They think that an independent audit / NGO review is the best solution to conclude this case. Insight also thinks that a sale of the JV stake is unlikely as there will be political backlash, even though they recognize the underutilization and relative irrelevance of the plant in Volkswagen’s overall operations.</p> <p>Insight’s positioning: Insight continues to maintain its ‘hold’ position on the bonds in the MBAM portfolios. They do not want to be forced sellers in this case and think the company is doing what it can do to resolve the case and Insight will continue to push for the independent audit. Given the complexity of the situation and the fact that the case is still very ‘engagement worthy’ Insight also does not want to impair performance/yields of the MBAM funds. At the same time Insight seems to become more likely to be a seller as relative valuation moves further towards the pre-red-flag levels (spreads tightening) and Insight also expects the case to be resolved in about a year’s time. If VW cannot resolve this case (e.g., via an independent audit) in the coming year this is a clear sign of governance and culture issues at the firm.</p>
Conclusion	Insight seems to be aligned with VLK’s timelines to resolve the case in the coming year. Our view is that their engagement approach means there is a realistic chance this complex case will be resolved.
Next steps	Continue to engage with Insight and ask for updates on this topic during our quarterly monitoring process.

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Collaborative engagement

By participating in collaborative engagement initiatives with industry peers, VLK can increase the effectiveness and leverage of their engagement activities. VLK can initiate a collaborative engagement or join existing engagement initiatives, such as Climate Action 100+. VLK assess which collaborations fit best with their values and engagement targets on a case-by-case basis. In addition, VLK collaborate with other asset managers and asset owners where engagement objectives are aligned. In 2022 VLK became a supporter of Advance, the newly launched PRI collaborative effort on social themes.

With the tangible effects and growing risks associated with climate change, VLK have prioritised engaging on climate related issues. This covers additional emissions disclosures, emission mitigation efforts, and the development of cleaner technologies. VLK expect external asset managers they select to be aligned with the Paris Agreement and set emission reduction targets. In 2022, VLK were an active member of several initiatives, most notably:

- IIGCC Climate Action 100+
- Platform Living Wage Financials
- FAIRR
- Access to Medicine Foundation
- Investor Alliance on Human Rights.

In terms of VLK's involvement in industry initiatives, they are an active member of PRI and several of its working groups (Corporate Reporting Reference Group, SDG Advisory Committee, Hedge Fund Advisory Committee), the GIIN (Global Impact Investing Network), and the ICGN (International Corporate Governance Network). They are also a signatory to the Dutch and UK Stewardship Codes.

5. Stewardship – asset manager voting and engagement behaviour

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest, and stress the importance of exercising shareholder voting rights effectively.

Via VLK's monitoring and engagement activities, we encourage all the underlying asset managers we use to be engaged investors, and furthermore encourage the managers to report on these activities and to disclose information about responsible investing on their website and in their reporting.

The Pension Regulator's intention is that this section of the Implementation Statement provides specific details of the voting and engagement behaviour of the equity managers who manage equity investments which have voting rights attached, and the engagement behaviour of the fixed income corporate bond managers. Alternative assets and government bonds are excluded.

The Scheme had no equity related investments during 2022. Therefore, the responses on the following pages only contain details of the engagement behaviour of the fixed income corporate bond managers used by the Scheme for which a material allocation was held.

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Bond managers' responses regarding engagement behaviour

Insight Investment Management - Buy and Maintain Bond Fund 2036 - 2040	
Engagement Statistics	
Fund / Mandate Information	Response
What is the Fund's Legal Entity Identifier (LEI) (if applicable)?	N/A
What is the Fund's International Securities Identification Number (ISIN) (if applicable)?	IE00BHNGQX81
Total size of Scheme assets invested in the fund as at the end of 2022 (if known)?	£10,471,229
What was the number of holdings in the fund / mandate as at the end of 2022?	60
Question	
How many entities did you engage with over 2022 which were relevant to this strategy?	37
What percentage of entities in the portfolio have you engaged with at some point over 2022?	60.7
What is the approximate total weight of the entities in the portfolio you have engaged with at some point over 2022?	62.5
You proactively raised a specific issue of concern with an entity (initiated by you rather than the entity)	8
You undertook a meeting/call with the board or chair of the board to discuss a matter or matters	0
You undertook a meeting/call with member(s) of C-suite to discuss a matter or matters	18
You undertook a meeting/call with a different individual (not covered in categories above) to discuss a matter or matters	40
You participated in a collaborative engagement	36

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Insight Investment Management - Buy and Maintain Bond Fund 2036 - 2040	
Name of entity you engaged	América Móvil
Year engagement was initiated	Q3 2022
Theme of the engagement	Governance - Board effectiveness - Diversity
Please describe your engagement method. For example: -Who you have typically engaged with (and at what seniority level) -The extent of written communication and meetings -How the engagement approach has evolved over time -Any escalation that has occurred	<p>We identified that America Movil had poor governance scores. We used our proprietary tools to understand the drivers for these poor scores, which were influenced by the controlling ownership as a result of the multiple-equity class structure where the company's major shareholder, Carlos Slim and his family, hold >80% of voting rights. We also have concerns about the board's limited diversity, independence, and skills.</p> <p>Through this engagement, we wanted to understand the company's willingness to change the board structure, and if they were, how they plan to change it. We pushed the issuer to set targets related to board representation and diversity, in addition to diversity within the company holistically, like industry leaders. We led an ESG-focused discussion with America Movil's IR and Sustainability teams in H2 2021 and followed up in H2 2022. While the firm will continue to have Carlos Slim's two children on its board, the company is striving for additional board improvements regarding diversity, experience and tenure, as well as over boarding. The company updated its materiality assessment and conducted its first overview of board practices in late 2021 to evaluate board effectiveness. Meetings with America Movil have been hosted by the relevant analyst with support from the RI stewardship team. All meetings have been private in nature and various members of the IR and ESG team have been involved.</p>
Please comment on the outcomes from this engagement so far. For example: -What was the result of any escalation you employed? -Have you met your stated objective? -What actions or changes by the entities have occurred? -Was the outcome purely a financial benefit or is there also a wider societal or environmental benefit?	<p>In the company's 2021 Sustainability Report, we were pleased that they established a new target to increase board diversity to three female directors, representing 21% of the board, which it achieved by appointing Gisselle Jiménez as a new director. The company also refreshed their Board Diversity Policy, which includes the ambition to 'set measurable objectives to achieve gender diversity with the ultimate goal of having a composition of the Board where each gender represents at least thirty percent (30%).</p> <p>The engagement may provide financial benefit, as there is a growing body of research which suggests that companies with diverse directors and executive teams (in relation to gender and ethnicity) are more likely to achieve above-average profitability and have higher returns on invested capital. Since America Movil were open to our feedback and has made improvements including meeting our initial objective of increasing board diversity, we have decided to hold our position due to the positive conversations that we have had with America Movil.</p>

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Insight Investment Management - Buy and Maintain Bond Fund 2041 - 2045	
Engagement Statistics	
Fund / Mandate Information	Response
What is the Fund's Legal Entity Identifier (LEI) (if applicable)?	N/A
What is the Fund's International Securities Identification Number (ISIN) (if applicable)?	IE00BHNGQZ06
Total size of Scheme assets invested in the fund as at the end of the Reporting Period (if known)?	£3,092,895
What was the number of holdings in the fund / mandate as at the end of the Reporting period?	60
Question	
How many entities did you engage with over the last 12 months which were relevant to this strategy?	37
What percentage of entities in the portfolio have you engaged with at some point over the 12 months?	60.7
What is the approximate total weight of the entities in the portfolio you have engaged with at some point over the 12 months?	58.5
You proactively raised a specific issue of concern with an entity (initiated by you rather than the entity)	7
You undertook a meeting/call with the board or chair of the board to discuss a matter or matters	0
You undertook a meeting/call with member(s) of C-suite to discuss a matter or matters	25
You undertook a meeting/call with a different individual (not covered in categories above) to discuss a matter or matters	37
You participated in a collaborative engagement	35

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Insight Investment Management - Buy and Maintain Bond Fund 2041 - 2045	
Name of entity you engaged	Motability Operations
Year engagement was initiated	Q1 2022 & Q3 2022
Theme of the engagement	Governance - Remuneration and Environmental - emissions
Please describe your engagement method. For example: -Who you have typically engaged with (and at what seniority level) -The extent of written communication and meetings -How the engagement approach has evolved over time -Any escalation that has occurred	<p>We wanted to follow up on executive remuneration which we discussed at length with Motability in 2021. We left the previous meeting satisfied with their responses regarding the introduction of more modest remuneration packages which we deemed more appropriate for the business. However, when reviewing their latest disclosures, we were concerned that executive pay still looked very high given the lack of competition in the market. We wanted to have a more detailed discussion with Motability about their sustainability strategy and plans for the future.</p> <p>Our engagement centred on three key areas: financing, Motability's provision of electric vehicles (EVs) and its carbon footprint. Motability is rated an ESG 3 with our in house ratings model, and is rated 3 for Social and Governance and 4 for Environmental factors. The engagement is aligned to the following SDGs: Goal 16: Peace, Justice and Strong Institutions.</p> <p>We began our ESG engagement with Motability in 2021 and this was our second discussion to follow up on the key concerns around remuneration. The CFO of Motability was on the call and the lead Insight analyst led the call. All engagements have been on a one-to-one basis to date.</p>
Please comment on the outcomes from this engagement so far. For example: -What was the result of any escalation you employed? -Have you met your stated objective? -What actions or changes by the entities have occurred? -Was the outcome purely a financial benefit or is there also a wider societal or environmental benefit?	<p>We're happy to see some developments in Executive remuneration, but do not feel it goes far enough given the lack of competition in the market. We will continue to engage with Motability with the intention of further influencing modest pay.</p> <p>Motability have yet to set a coherent ESG strategy with targets to measure performance. Motability stated that they were attempting to address our concerns going forward. We will closely monitor their progress, reviewing their SBTs and Sustainability Report as and when they are published and look to reengage early in 2023.</p> <p>We continue to hold Motability bonds.</p>

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M&G Investments - Long Dated Corporate Bond Fund	
Engagement Statistics	
Fund / Mandate Information	Response
What is the Fund's Legal Entity Identifier (LEI) (if applicable)?	N/A
What is the Fund's International Securities Identification Number (ISIN) (if applicable)?	N/A
Total size of Scheme assets invested in the fund as at the end of the Reporting Period (if known)?	£5,876,556
What was the number of holdings in the fund / mandate as at the end of the Reporting period?	183/112 (Issues/Issuers)
Question	
How many entities did you engage with over the last 12 months which were relevant to this strategy?	5
What percentage of entities in the portfolio have you engaged with at some point over the 12 months?	4.4
What is the approximate total weight of the entities in the portfolio you have engaged with at some point over the 12 months?	1.55
You proactively raised a specific issue of concern with an entity (initiated by you rather than the entity)	5
You undertook a meeting/call with the board or chair of the board to discuss a matter or matters	0
You undertook a meeting/call with member(s) of C-suite to discuss a matter or matters	2
You undertook a meeting/call with a different individual (not covered in categories above) to discuss a matter or matters	3
You participated in a collaborative engagement	1

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M&G Investments - Long Dated Corporate Bond Fund	
Name of entity you engaged	VEOLIA ENVIRONNEMENT SA
Year engagement was initiated	2022
Theme of the engagement	Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)
Please describe your engagement method. For example: -Who you have typically engaged with (and at what seniority level) -The extent of written communication and meetings -How the engagement approach has evolved over time -Any escalation that has occurred	To verify the validity of the ISS red flag assigned to French service and utility company Veolia in relation to exposure to nuclear weapons inside NPT (Treaty on the Non-Proliferation of Nuclear Weapons). M&G held a call with the Deputy Chief Financial Officer to discuss the ISS-assessed red flag in relation to exposure to nuclear weapons inside NPT. While M&G's policy is comfortable with nuclear exposure inside the NPT, we wanted to understand how Veolia had responded to the flag and proposed next steps.
Please comment on the outcomes from this engagement so far. For example: -What was the result of any escalation you employed? -Have you met your stated objective? -What actions or changes by the entities have occurred? -Was the outcome purely a financial benefit or is there also a wider societal or environmental benefit?	The company confirmed that the ISS report is factually accurate. The company have discussed the red flag with ISS ESG as they were keen to understand the methodology behind awarding the red flag. ISS confirmed that they do not apply a materiality threshold and that the decision to award the flag is binary. The company confirmed that the flag is in relation to a contract to provide maintenance operations on non-military elements of military submarines. The contract is provided through a JV between Veolia and Naval Group and the service provided is the provision of electricity power during the maintenance period. The contract accounts for approximately 0.0001% of the revenues of the Veolia Group. Veolia explained that they are reviewing how soon they can exit the contract without damaging shareholder value and/or creating damage to their JV partner. In terms of next steps, Veolia will share details of when the contract will expire with both M&G and ISS and we will continue to monitor the issue.

6. Stewardship - proxy voting

While underlying asset managers may have used proxy voters, we have not used proxy voting services ourselves during 2022.