

Engagement Policy Implementation Statement (“EPIS”)

The Calmac Pension Fund (the “Fund”)

Fund Year End – 5 April 2024

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 2024 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 evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

A few managers, as outlined later in the report, did not provide any requested engagement information, or the information provided was limited and often not in line with the best practice Investment Consultants Sustainability Working Group (“ICSWG”) industry standard engagement reporting template.

We will engage with these managers, as set out in our engagement plan, to encourage them to provide detailed and meaningful disclosures about their engagement activities, and learn how they consider financially material Environmental, Social and Governance (“ESG”) factors into their stewardship policies.

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, which is in line with the policies set out in our SIP. 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 ESG ratings from Aon for the funds the Fund is invested in where available.

Each year, we review the voting and engagement policies of the Fund's investment managers.

The Fund's stewardship policy can be found in the SIP:

<https://www.cmassets.co.uk/wp-content/uploads/2023/11/Calmac-SIP-July-2023.pdf>

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. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. 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 to 31 March 2024. Managers collate voting information on a quarterly basis. The voting information provided is for the year to 31 March 2024 which broadly matches the Fund year.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Harris Associates L.P. - Global All Cap Equity Fund	749	97.7%	1.2%	0.0%
LGIM - Developed Balanced Factor Equity Index Fund	12,190	99.8%	21.1%	0.2%
Sands Capital Management LLC - Global Growth Equity Fund	436	100.0%	3.4%	0.0%

Source: Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

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 Environmental Social Governance ("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

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 uses proxy voting advisers.

Managers	Description of use of proxy voting advisers (in the managers' own words)
Harris Associates L.P.	Harris uses their own policy that Institutional Shareholder Services ("ISS") implements on their behalf.
LGIM	LGIM's Investment Stewardship team uses ISS'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 their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.
Sands Capital Management, LLC	Sands votes the proxies themselves, but they consider the recommendations of proxy advisors such as ISS and Glass Lewis in voting decisions.

Source: Managers

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.

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 investment funds. 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 funds invested in by the Fund.

Funds	Number of engagements		Themes engaged on at a fund/ firm level
	Fund level	Firm level	
Basalt Infrastructure Partners II	<i>Not provided</i>	325	Environment* - Climate Change Social* - Human Capital Management; Human and Labour Rights Strategy, Financial & Reporting* - Reporting; Risk Management
BlackRock UK Property Fund	<i>Not provided</i>	3,768	<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. Areas and topics of engagement are identified each year as part of the asset business plan process alongside monitoring of all other aspect of each asset.</i>		
Harris Associates L.P. Global All Cap Equity Fund	<i>Not provided. The manager stated that they do not track each individual engagement and are not able to provide the total number of engagements.</i>		
LGIM - Developed Balanced Factor Equity Index Fund	296	2,500	Environment - Climate Impact Pledge; Climate Change Social - Gender Diversity Governance - Remuneration; Board Composition
Aegon - European Asset Backed Securities Fund ¹	127	528	Environment – Climate Change Governance – Board effectiveness – Diversity, Leadership – Chair/CEO, Remuneration Other – General Disclosure
Robeco - Short Dated Credit Fund ¹	28	319	Environment – Climate Change, Natural Resource Use/Impact Social – Human and Labour Rights Governance – Board effectiveness – Other Other – Sustainable Development Goals (“SDG”) Engagement
M&G Investments Illiquid Credit Opportunities Fund II (ICOF II)	<i>Not provided</i>	297	Environment* - Climate Change Social* - Human Capital Management Governance* - Remuneration; Brd Eff. - Diversity Other* - Multiple Topics
M&G Inflation Opportunities Fund	33	297	Environment* - Climate Change Social* - Human Capital Management Governance* - Remuneration; Brd Eff. - Diversity Other* - Multiple Topics
M&G Investments UK Long Dated Corporate Bonds	7	297	Environment* - Climate Change Social* - Human Capital Management Governance* - Remuneration; Brd Eff. - Diversity Other* - Multiple Topics
Meridiam Infrastructure Fund		<i>Not provided</i>	
PFI Infrastructure	<i>Not provided</i>	>20 ²	<i>Not provided</i>

Sands Capital Management, LLC Global Growth Equity Fund	139	323	<p>Environment – Climate change, natural resource use/impact, pollution, waste, environmental policy and strategy, energy use and efficiency and regulation</p> <p>Social – Conduct, culture and ethics. Human and labour rights, human capital management, public health and data security.</p> <p>Governance – Board effectiveness – independence and oversight, Chair/CEO leadership, remuneration, shareholder rights, ESG strategy, regulation and related-party transactions.</p>
Schroders UK Property Fund	<p><i>Not provided. The manager stated that they are responsible for the day-to-day relationship with tenants and therefore find it difficult to quantify.</i></p>		<p>Environment* - Decarbonising; Deforestation; Climate Risk, Oversight</p> <p>Social – Communities, corporate culture and oversight of human capital, customers, consumers and relationship with shareholders.</p> <p>Governance* - Boards and Management; Corporate Culture</p>

Source: Managers.

¹ Invested in through the AIL Low Risk Bonds fund

² PFI stated that they had 20+ notable industry engagements including 8 UK Sustainable Investment and Finance Association (“UKSIF”) engagements. The Infrastructure Team actively engage on their investments both during the investment and asset management phases.

*The following managers did not provide fund level themes; themes provided are at a firm-level:

- Basalt
- M&G
- Schroders

Data limitations

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

This report does not include commentary on certain asset classes such as liability driven investments, gilts, and cash because of the limited materiality of stewardship to 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, in managers' own words:

Harris Associates L.P. - Global All Cap Equity Fund	Company name	Alphabet Inc.
	Date of vote	2 June 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	5.5
	Summary of the resolution	Advisory Vote on Say on Pay Frequency
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	We believe that a yearly say on pay vote is most appropriate.
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will continue to monitor executive compensation at the company, and will engage with management on this issue if necessary.
	On which criteria have you assessed this vote to be most significant?	Voted against management
LGIM - Developed Balanced Factor Equity Index Fund	Company name	Public Storage
	Date of vote	02 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.3
	Summary of the resolution	Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal
	How you voted?	Votes supporting resolution
	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 the day after the company meeting, with a 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	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
	Outcome of the vote	Fail

Sands Capital Management, LLC - Global Growth Equity Fund	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 monitor the board's response to the relatively high level of support received for this resolution.
	On which criteria have you assessed this vote to be most significant?	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.
	Company name	Amazon.com, Inc.
	Date of vote	24 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.9
	Summary of the resolution	Commission a Third Party Audit on Working Conditions
	How you voted?	Votes supporting resolution
	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 do believe that Amazon is making positive progress in terms of labour practices. Amazon has been widely scrutinised over labour practices. As the second largest employer in the United States, we believe that scrutiny has reached the point where more transparency would be helpful in understanding working conditions. We acknowledge that a safety report is already created by Amazon. The broader issue is that Amazon is capable of suffering reputational risk if these concerns are not addressed thoroughly. We actually believe that offering more transparency could be turned into a competitive advantage.
	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?	Similar to last year, 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.