Macmillan Cancer Support Pension Scheme
31 December 2023
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 strategic 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:
    - 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;
    - a description of voting behaviour by us or made on our behalf; and
    - a statement on any use of a proxy voter's services.

This document is the Implementation Statement for the period from 1 January 2023 to 31 December 2023, and has been prepared in accordance with regulatory requirements and guidance published by the Pensions Regulator. This Implementation Statement is based on the two SIPs that applied during 2023, the latest of which is available at https://www.macmillan.org.uk/about-us/working-with-us/pension-scheme

2. Amendments to the SIP

Between 1 January 2023 and 7 November 2023, the SIP continued to state that:

- To maintain a level of self-sufficiency in our funding, the preliminary objective for the Scheme's investments is 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 is 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.

As a result of good investment performance, we adopted a new strategic investment objective on 8 November 2023, which is:

> To maintain a level of self-sufficiency in our funding and to progress towards a funding position that would cover the cost of an insurance company taking on the risks and providing all the promised benefits of the Scheme in the future, the objective for the Scheme's investments is to achieve a return (increase in assets) that is 0.5% higher than the return of UK government bonds, after deduction of fees, each year.

3. Compliance with the SIP

We monitor compliance with the SIP regularly.

These respective strategic investment objectives continued to guide our investment decision making in 2023. We are pleased to report that, in another year of significant financial market volatility, the Scheme's investments outperformed these strategic investment objectives, and that outperformance extended to three and five-year periods.

In addition, in 2023 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. 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 2023, 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.

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 and the UK Stewardship Code. 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 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;
- 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 2023, 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 and avoidance list?

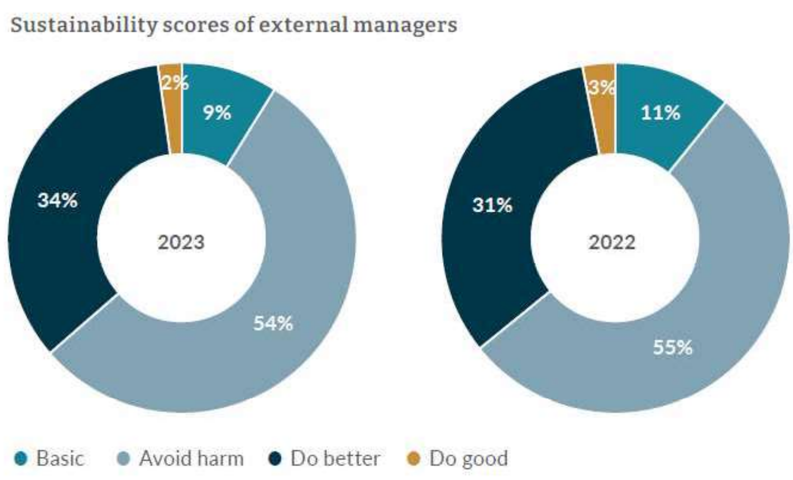
- All managers are reviewed against ESG criteria on an ongoing basis. For example:
  - do responsible investing considerations continue to be integrated into their investment process?
  - is the manager making progress?
  - is the manager well informed and up-to-speed on ESG criteria and initiatives? 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.

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 and avoidance list, which means VLK actively encourages underlying asset managers it selects to remove tobacco exposure from their funds. Throughout 2023 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 asset managers integrate various ESG factors into their investment products and processes. Within this framework, asset managers and their products 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 2023 VLK have continued to apply this scoring methodology to rate the ESG characteristics of the underlying managers and investment products used within client strategies. Out of 600 listed funds that VLK had scored by the end of 2023, as a percentage of scored assets under management , 9% of the funds scored 'Basic', 54% scored 'Avoid harm', 34% scored 'Do better' and 2% scored 'Do good'. Close to 1% could not be scored due to absent data.



VLK do not proactively offer Compliant or Basic products to their clients. Those products that scored within these categories were either legacy products that have been adopted from clients transitioning to VLK's fiduciary solution, or older products (including some in passively managed solutions) which VLK are in the process of replacing with more sustainable investment products.

Scoring alternative funds

In 2023, 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 managers. In 2023, 78 funds of these funds have been assessed on sustainability, of which 10 scored 'Basic'; 35 scored 'Avoid harm'; 20 scored 'Do better'; and 13 scored 'Do good'. The score of Basic is not unexpected, as it has historically been more challenging to apply sustainability to alternative funds than to listed / traditional investment funds.

VLK highlights

Over 2023, VLK have:

- Regularly encouraged the managers they work with to apply responsible investing policies and engage themselves into dialogue with the companies they are investing in. VLK engaged with over 200 managers on over 600 products regarding sustainability and stewardship.
- Researched over 300 sustainability focused products across all asset classes.
- Approved 12 new strategies with the highest sustainability rating ('Do good') for use in client portfolios.
- Rejected or downgraded 25 strategies based significantly on sustainability concerns.
- Introduced minimum standards on climate, modern slavery and engagement reporting for asset managers.
- Collaborated with an external asset manager to integrate responsible investing into their listed real estate benchmark via inclusion of best-in-class selection of companies with high (MSCI) sustainability scores.
- Assessed a range of funds and indices that VLK use to target Sustainable Investment Goals (SDGs). Together with their clients, VLK determined whether these indices have met expectations and what gains they have generated in the sustainability arena.
- Made good progress with cutting VLK's own carbon emissions by 42% per full time employee (compared to 2019 baseline).
- Set more ambitious targets to decrease VLK's own carbon footprint and to reduce carbon emissions via their discretionary assets under management, effective from 2024 onwards.
- Continued to put most of their efforts into energy transition – focusing in particular on their role as active owner, engaging on carbon emissions. VLK have also made strides in food transition – particularly through the lens of preserving biodiversity and soil health. They did this by, among other things, putting in place an investment framework for biodiversity and engaging on this theme.
- Joined Nature Action 100, a newly created collaborative engagement initiative, where VLK are a participating investor in engagements with Novo Nordisk and Sysco Corporation.
- Continued its involvement in industry initiatives, as members of PRI, GIIN (the Global Impact Investing Network), and ICGN (the International Corporate Governance Network).
- Remained as signatories to the Dutch and UK Stewardship Codes.

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.

Engagement topic	Engagement on credit funds to be aligned with the 1.5°C goal of the Paris Agreement
Manager	Insight Investment Management
Funds/mandates involved	Maturing Buy & Maintain Credit Funds
Reason for engagement	VLK have an ambition that liquid, listed funds used in client portfolios will be Paris Aligned by 2025. Considerable work had already been done with equity funds, but investment grade credit is a core and growing part of client portfolios and therefore engaging with our corporate bond managers on this topic was key.
Summary of discussion with manager	Many of VLK's fiduciary management client portfolios are better funded today, and subsequently corporate bonds constitute a growing allocation within their lower risk investment portfolios. VLK therefore undertook a market review to understand which investment manager could deliver both on achieving the required investment objective, whilst also having a credible process to be Paris Aligned by 2025. Insight have been VLK's chosen manager for buy & maintain credit for over five years. Having spoken to a range of different credit managers on how they were approaching net zero in corporate bond portfolios, VLK were keen to partner with Insight to find a solution that was in line with their investment process but was also in line with VLK's climate requirements. Following discussions, it was agreed that a framework from the Institutional Investors Group on Climate Change (IIGCC) would be adopted. IIGCC is an industry-wide body that aims to support and enable the investment community in driving significant and real progress to Net Zero. The IIGCC's Paris Aligned Investment Initiative (PAII) looks at how investors can align portfolios to the goals of the Paris Agreement. Insight initially proposed launching a new fund specifically for VLK that would use this framework. However, VLK were insistent that this should be implemented in the flagship funds so that their clients would benefit from the wider liquidity, and also because they felt the wider industry would benefit from this change.
Conclusion	Insight implemented the Paris Alignment process within their flagship buy & maintain portfolios. They are now working to remove corporate issuers who are either "not committed" or "not rated" in their fund ahead of 2025.
Next steps	VLK to engage with other bond managers on how they can incorporate this framework into their portfolios

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 2023. 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.

Bond managers' responses regarding engagement behaviour

Insight Investment Management - Maturing Buy and Maintain Bond Fund 2036-2040	
Fund's International Securities Identification Number (ISIN) (if applicable)	IE00BHNGQX81
Question	**Response**
How many entities did you engage with in 2023?	595 (149 of which were ESG engagements as per the Investment Consultants Sustainability Working Group definition)
How many entities did you engage with in 2023 which were relevant to this strategy?	36
How many engagements were initiated in 2023?	2628 (980 separate engagement meetings)
How many engagements were initiated In 2023 which were relevant to this strategy?	76
Number of ESG related engagements by theme (relevant to this strategy):	
Environment - Climate change	37
Environment - Natural resource	6
Environment – Pollution and waste	2
Governance - Board effectiveness	7
Governance - Remuneration	7
Governance - Shareholder rights	3
Social - Conduct, culture and ethics	4
Social - Human and labour rights	0
Social - Human capital management	11
Social - Inequality	0
Social - Public health	0
Other (includes environmental, social and governance controversies)	12
Note: One engagement may cover multiple themes	

Engagement Case Studies – Insight Investment Management – Maturing Buy and Maintain Bond Fund 2036 - 2040	
Name of entity you engaged	BP - Q2 2023
Topic / Theme of the engagement	Environment – climate change
Rationale for the engagement, for example: -Why you selected it as an example & how it aligns with your engagement policy and wider investment approach. -The objectives(s) you set to determine engagement success. -Whether the engagement is connected to any of the UN Sustainable Development Goals (SDGs).	We initiated this engagement because BP is the largest contributor to Insight's weighted average carbon intensity (WACI), contributing 8%. While the company is 'aligning' according to Insight's net-zero alignment tool, we have to engage as part of Insight's net-zero commitment. We last conducted an engagement in 2022 and wanted to clarify changes made to its oil and gas output target from a 40% reduction by 2030 to a 25% reduction by 2030. This reduction raises questions around how the company will reach net-zero as it has provided very little information in terms of how its transition plans will change. This engagement is aligned to SDG 7 Affordable and Clean Energy and SDG13 Climate Action.
What you have done, for example: -When the engagement started and how your approach has evolved over time, including any escalation over the last 12 months. -The level of activity (e.g. number and type of meetings undertaken; number and type of written communications). -The level of individual you have typically engaged with (e.g. C-suite, Investor Relations). -Who led the engagement. -Where your engagement activity included working alongside others in a collaborative engagement, explain your specific role within the collaborative engagement(s) (e.g. leading vs being passive). -[For equity mandates] How has the engagement influenced your voting actions?	The Ukraine war prompted a shift towards energy security, with governments and corporates seeking to enhance supply security and started conversations at board level around BP's role in alleviating the energy crisis. The change in the output targets has not impacted any of BP's other targets, for example the Scope 1, 2 and 3 targets by 2030/2050. Capital expenditure in oil and gas is increasing by $1BN/year ($8BN overall) but BP has also increased capex in transition fuels by $1BN/year. However, it is unclear what other changes BP will make to help accelerate its low-carbon business. BP emphasised that the target adjustment does not represent a change to the issuer's strategy, which represents the trigger for any shareholder engagement or approval. We also asked BP about how it is ensuring that it is investing responsibly, given that most of its CO2 emissions reductions since 2010 have come from divestments. BP reiterated that its pathway to achieving its 2030 reduction target consists of one third from its operations, one third from its portfolio (i.e. divestment) and one third from carbon capture solutions. BP agreed the progress it has achieved so far derived mostly from divestments, but it is now focusing on fulfilling operational reductions and increasing carbon capture solutions.

	Following an evolution of the Climate Action 100+ Net Zero Company Benchmark, we asked BP about its view. BP stated it does not feel it can achieve significantly higher marks on its current framework without significantly changing its strategy. BP views its 2030 targets as stretching enough and that there is little point setting stronger, unrealistic targets. It also stated its view that the world is not on a 1.5C pathway and it does not think it can meet even more stringent targets.
Outcomes and next steps, for example: -Has the engagement met your stated objective? -What actions or changes by the entity have occurred? -How has the outcome provided financial benefit or wider societal/environmental benefit? -How do you see the engagement progressing from here? -Have any portfolio allocation decisions been taken based, in whole or in part, on the engagement (e.g. divestment)? -Have you taken any other action as a result of the engagement?	Given BP continues to invest in oil and gas exploration and development, we will continue to engage with the company on climate-related issues, enabling us to understand the progress BP is making towards its interim carbon targets and whether low-carbon capex is increasing according to BP's stated projections. We will closely monitor any announcements relating to the firm's net-zero targets to understand if BP will roll back on any further climate-related commitments. We communicated that if further changes are made to BP's strategy and approach, they could impact whether we deem BP's bonds as suitable for inclusion in some of Insight's portfolios.

Insight Investment Management - Buy and Maintain Bond Fund 2041 - 2045	
Fund's International Securities Identification Number (ISIN) (if applicable)	IE00BHNGQZ06
Question	**Response**
How many entities did you engage with in 2023?	595 (149 of which were ESG engagements as per the Investment Consultants Sustainability Working Group definition)
How many entities did you engage with in 2023 which were relevant to this strategy?	40
How many engagements were initiated in 2023?	2628 (980 separate engagement meetings)
How many engagements were initiated in 2023 which were relevant to this strategy?	83
Number of ESG related engagements by theme (relevant to this strategy): Environment - Climate change Environment - Natural resource Environment – Pollution and waste Governance - Board effectiveness Governance - Remuneration Governance - Shareholder rights Social - Conduct, culture and ethics Social - Human and labour rights Social - Human capital management Social - Inequality Social - Public health Other (includes environmental, social and governance controversies) Note: One engagement may cover multiple themes	 41 7 3 15 6 3 6 0 13 0 0 12

Engagement Case Studies – Insight Investment Management – Maturing Buy and Maintain Bond Fund 2041 - 2045

Name of entity you engaged	Citigroup - Q3 2023
Topic / Theme of the engagement	Environment – climate change
Rationale for the engagement, for example: -Why you selected it as an example & how it aligns with your engagement policy and wider investment approach. -The objectives(s) you set to determine engagement success. -Whether the engagement is connected to any of the UN Sustainable Development Goals (SGDs).	Citi is a US diversified financial services company that serves consumer and corporate customers. Citi scores highest amongst its US peers in terms of ESG and may be considered progressive on ESG matters in its home market. It has improved on its social score given improvements to its ESG-linked remuneration and diversity since its responses to our counterparty engagement questionnaire. This engagement is aligned to SDG 5 Gender Equality, SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities and SDG 13 Climate Action.
What you have done, for example: -When the engagement started and how your approach has evolved over time, including any escalation over the last 12 months. -The level of activity (e.g. number and type of meetings undertaken; number and type of written communications). -The level of individual you have typically engaged with (e.g. C-suite, Investor Relations). -Who led the engagement. -Where your engagement activity included working alongside others in a collaborative engagement, explain your specific role within the collaborative engagement(s) (e.g. leading vs being passive).	Citi has been a first mover in reporting emissions that are linked to activities financed by Citi Group for key material sectors. It has set absolute targets to reduce emissions and intensity targets for specific sectors, though we have requested clarification around their rationale for setting intensity targets. We welcome their reporting across both committed and drawn exposures, which improves transparency. It is the first US bank to announce a partial coal phase-out and confirmed plans to reduce its credit exposure to such companies by 50% by 2023 and to 0 by 2030. At present, it still finances the development of new mines (e.g., Glencore, Adani). Citi has in place some of the strongest requirements for customers relating to biodiversity in the US tied to Roundtable for Sustainable Palm Oil membership and certification requirements for those wishing to become/ remain clients of Citi.

-[For equity mandates] How has the engagement influenced your voting actions?	It has one of the largest commitments of $1tr by 2030 to sustainable financing. This is largely resulting from its issuance of impact bonds. We provided recommendations to improve their framework (e.g. around maximum lookback periods). Citi has been progressive amongst US peers in setting diversity targets in regions ex-US, led by a strong, independent board but has work to do in improving representation by female Black colleagues in light of its higher than average turnover rate.
Outcomes and next steps, for example: -Has the engagement met your stated objective? -What actions or changes by the entity have occurred? -Can the entity verify that your engagement played a significant role in bringing about the change? -How has the outcome provided financial benefit or wider societal/environmental benefit? -How do you see the engagement progressing from here? -Have any portfolio allocation decisions been taken based, in whole or in part, on the engagement (e.g. divestment)? -Have you taken any other action as a result of the engagement?	Citi is expected to report facilitated emissions when Partnership for Carbon Accounting Financials standard is launched. Insight has recommended that Citi improve its fossil fuel financing policy to be comparable with their European peers given they are still one of the largest financiers of fossil fuels and continue to get pressure from the German government to finance a German company called RWE despite its plans to expand coal production. Citi is cognisant of the challenges in navigating the political agenda around ESG but is using the opportunity to clarify their focus and navigate different client preferences under global policies by highlighting different elements of the policy in different regions, which has raised concerns around possible greenwashing. Insight continues to monitor progress on the areas discussed.

6. Stewardship - proxy voting

While underlying asset managers may have used proxy voters, VLK did not use proxy voting services themselves during 2023.