

COVERING THE SCHEME YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

The Trustees of the Marylebone Cricket Club Pension & Assurance Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Sections 2 and 3 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement should be read in conjunction with Scheme's latest SIP, dated 6 November 2023, a copy of which can be found here: <https://lords-stg.azureedge.net/mediafiles/lords/media/documents/mcc-sip 1.pdf>

1. INTRODUCTION

The Scheme's SIP was reviewed and updated twice during the year, with the most recent version being effective from 6 November 2023. This included a review and update to the Scheme's voting and engagement policies. The changes to these policies included:

- incorporating DWP's guidance, linked above, and specifically in relation to setting stewardship priorities, to provide a focus for the monitoring of the investment managers' voting and engagement activities, and communicating these to managers; and
- setting a net zero "ambition" for the Scheme (ie an ambition to align the Scheme's assets with net zero greenhouse gas emissions by 2050 to help reduce the risks of climate change).

Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Scheme's updated voting and engagement policies during the Scheme Year.

2. VOTING AND ENGAGEMENT

The Trustees have delegated to the investment manager (LGIM) the exercise of rights attaching to investments, including voting rights, and engagement. LGIM's policies can be found here: [LGIM Vote Disclosures \(issgovernance.com\)](https://www.lgim.com/issgovernance.com). However, the Trustees take ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

2. VOTING AND ENGAGEMENT CONTINUED

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

The Trustees transitioned its previous passive regional equity pooled fund holdings to a new pooled fund, the LGIM Low Carbon Transition Global Equity Index Fund, on 1 August 2023. One of the factors in selecting and appointing this fund was the alignment with the Scheme's net zero ambition, as well as LCP's positive assessment of LGIM's approach to voting and engagement.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

This included the Trustees sending a letter to LGIM during the Scheme Year outlining their stewardship priorities and net zero ambition, as well as communicating their expectations of LGIM in regard to responsible investment more broadly.

3. DESCRIPTION OF VOTING BEHAVIOUR DURING THE SCHEME YEAR

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment manager the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year. However, the Trustees monitor managers' voting and engagement behaviour on a regular basis and challenge managers where their activity has not been in line with the Trustees' expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- **LGIM Low Carbon Transition Global Equity Index Fund**
- **LGIM Dynamic Diversified Fund**

We have omitted the LGIM regional equity funds, which the Scheme disinvested from on 1 August 2023, on the basis that there will be a significant amount of overlap between the underlying holdings in these funds and the LGIM Low Carbon Transition Global Equity Index Fund, and LGIM's voting actions will be the same across these funds.

3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which the manager, LGIM, has in place.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from their clients.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the voting decision process, which aims to provide consistent messaging to companies.

3. DESCRIPTION OF VOTING BEHAVIOUR DURING THE SCHEME YEAR CONTINUED

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to vote electronically. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. ISS' recommendations are used to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

3.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

	LGIM LOW CARBON TRANSITION GLOBAL EQUITY INDEX FUND	LGIM DYNAMIC DIVERSIFIED FUND
Total size of fund at end of the Scheme Year	£4.0bn	£1.2bn
Value of Scheme assets at end of the Scheme Year (£ / % of total assets*)	£1.8m / 4.7%	£3.7m / 9.7%
Number of equity holdings at end of the Scheme Year	2,837	7,336
Number of meetings eligible to vote	4,687	9,871
Number of resolutions eligible to vote	47,232	101,264
% of resolutions voted	99.9%	99.8%
Of the resolutions on which voted, % voted with management	79.2%	76.6%
Of the resolutions on which voted, % voted against management	20.5%	23.2%
Of the resolutions on which voted, % abstained from voting	0.4%	0.3%
Of the meetings in which the manager voted, % with at least one vote against management	65.5%	74.2%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11.9%	14.1%

Figures may not sum to 100% due to rounding. *Excludes Net Current Assets.

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from LGIM, is set out below.

Given the large number of votes which are cast by LGIM during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting

3. DESCRIPTION OF VOTING BEHAVIOUR DURING THE SCHEME YEAR CONTINUED

ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting LGIM provide a shortlist of votes, which comprises a minimum of ten most significant votes, and it could use the PLSA's criteria for creating this shortlist. By informing LGIM of its stewardship priorities and through its regular interactions with LGIM, the Trustees believe that LGIM will understand how they expect them to vote on issues for the companies they invest in on their behalf.

The Trustees have interpreted "significant votes" to mean those that align with the Trustees' stewardship priorities (these being Corporate Transparency, Business Ethics and Climate Change). Where votes provided by LGIM do not align with one of these stewardship priorities, the Trustees will consider other factors to determine the most significant votes based on factors including, but not limited to votes that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement; and / or
- have a high media profile or are seen as being controversial.

The Trustees have reported on two of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

LGIM Low Carbon Transition Global Equity Index Fund

The Coca-Cola, April 2023

Summary of resolution: Report on congruency of political spending with company values and priorities.

Relevant stewardship priority: Corporate transparency.

Approx size of the holding at the date of the vote: 0.5%.

Why this vote is considered to be most significant: It relates to one of the Trustees' stewardship priorities.

Company management recommendation: Against

Fund manager vote: For

Rationale: LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While LGIM appreciates the level of transparency Coca-Cola provides in terms of its lobbying practices, it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. LGIM believes that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities.

Was the vote communicated to the company ahead of the vote: Yes. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.

Outcome of the vote and next steps: Against. LGIM will continue to engage with the company and monitor progress.

McDonald's Corporate, May 2023

Summary of resolution: To adopt a policy to phase out the use of medically-important antibiotics in beef and pork supply chain

Relevant stewardship priority: Business Ethics.

3. DESCRIPTION OF VOTING BEHAVIOUR DURING THE SCHEME YEAR CONTINUED

Approx size of the holding at the date of the vote: 0.4%.

Why this vote is considered to be most significant: It relates to one of the Trustees' stewardship priorities.

Company management recommendation: Against

Fund manager vote: For

Rationale: Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and we consider AMR to be a systemic risk. The resolution asks McDonald's to adopt a company-wide policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply chains and to set targets with timelines, metrics for measuring implementation, and third-party verification.

Was the vote communicated to the company ahead of the vote: Yes. LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.

Outcome of the vote and next steps: Against. LGIM will continue to engage with the company and monitor progress.

LGIM Dynamic Diversified Fund

Shell Plc, May 2023

Summary of resolution: Approve the Shell energy transition progress.

Relevant stewardship priority: Climate Change

Approx size of the holding at the date of the vote: 0.3%

Why this vote is considered to be most significant: It relates to one of the Trustees' stewardship priorities.

Company management recommendation: For

Fund manager vote: Against

Rationale: LGIM acknowledged the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.

Was the vote communicated to the company ahead of the vote: No

Outcome of the vote and next steps: For. LGIM continues to undertake extensive engagement with Shell on its climate transition plans.

Axon Enterprise, Inc., May 2023

Summary of resolution: Elect director Adriane Brown

Relevant stewardship priority: Business Ethics

Approx size of the holding at the date of the vote: 0.0009%

Why this vote is considered to be most significant: It relates to one of the Trustees' stewardship priorities.

Company management recommendation: For

Fund manager vote: Against

Rationale: The Board failed to sufficiently address the concerns raised by its former AI Ethics Board members and mishandled the self-governance procedure regarding taser-equipped drone technology (project ION). Therefore, LGIM believes a vote against the Chair of Governance Committee was warranted.

Was the vote communicated to the company ahead of the vote: No

Outcome of the vote and next steps: For. LGIM will continue to monitor progress at the company.