10 Implementation Statement (forming part of the Trustee Report)

The Trustee of the Fenner Pension Scheme (the "Scheme") is required to produce a yearly Implementation Statement ("the Statement") to set out how, and the extent to which, the Trustee has 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 Section 3 below.

In preparing the Statement, the Trustee has 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.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

2. Voting and engagement

Since the Scheme year end, the Trustee reviewed its process for monitoring and engaging with managers to reflect DWP's new guidance on Reporting on Stewardship and Other Topics which expects the Trustee to take a more active role in relation to monitoring and engaging with investment managers on stewardship, including stating the Trustee's chosen stewardship priority. The Trustee's updated process for monitoring and engaging with managers is set out in the Scheme's SIP which was reviewed and updated following the Scheme year end. This will also be covered in next year's Statement.

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as necessary as detailed below.

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.

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 financially material considerations (including climate change and other ESG considerations).

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus engagement with their investment managers on specific ESG factors at its meeting in Q1 2023. The SIP was subsequently updated following the Scheme year end, and the priorities were then communicated to the managers along with the Trustee's expectations of the managers in relation to stewardship. This was not done during the Scheme year ending 31 March 2023 due to prioritising the preparation, arrangement and purchase of a bulk annuity contract to insure benefit payments linked to the Scheme's members. The Trustee will report on the new stewardship priorities in the next Statement.

The Trustee is 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 Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

Following the Scheme year end, the Trustee completed its purchase of a bulk annuity contract with Phoenix Life Limited. The Trustee carried out it’s provider selection exercise during the Scheme Year in Q1 2023. In selecting a provider for the bulk annuity contract, one of the Trustee’s selection criteria was ‘Climate and ESG’ and the question of whether the Trustee was comfortable with the insurer’s approach to managing ESG and climate risks was considered. The Trustee received written advice from LCP on how this criterion could be assessed.

The Trustee’s policy in relation to voting and engagement during the Scheme Year was as follows:

‘Direct engagement with underlying companies (as well as other relevant persons) in respect of shares and debt is carried out by the Scheme’s investment managers.

This includes monitoring and engaging with issuers of debt or equity on financially material issues concerning strategy, capital structure, management of actual or potential conflicts of interest, risks, environmental impact, social considerations and corporate governance. Where relevant, the Trustee expects its managers to use voting rights to achieve the best possible sustainable long-term outcomes.

The Trustee expects all its investment managers to practice good stewardship. When selecting new managers, the Trustee's investment advisers assess the ability of each investment manager to engage with underlying companies in order to promote the long-term success of the investments.

While the Trustee chooses managers that align with its beliefs on stewardship (where possible), there are instances where the Trustee has less direct influence over the managers’ policies on the exercise of investment rights. This is the case for assets which are held in pooled funds due to the collective nature of these investments. The Trustee monitors and discloses the voting behaviour carried out on its behalf. If the Trustee deems it not suitable it will engage with the relevant manager and seek to better align the policies of the Trustee with the behaviour of the manager.

The Trustee currently has a preference for ‘Engagement’ rather than ‘Exclusion’ as a method of incorporating climate change risks into an effective risk management framework. The Trustee expects its investment managers to independently consider whether exclusion or engagement is more appropriate within their investment process.

When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question. The Trustee reports annually on how its investment managers have acted in accordance with the Trustee’s policy on stewardship and engagement. In addition, the Trustee meets directly with each of its investment managers periodically and – where relevant and appropriate – questions the manager on their activities with respect to stewardship and engagement. The Trustee will disclose any highlights as part of this review annually in its implementation statement.’

Following the Scheme year end, the Trustee wrote to its managers setting out its stewardship priorities and its expectations of the managers in relationship to the Scheme’s investments.

3. Description of voting behaviour during the Scheme Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers’ voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustee‘s 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:

- Magnetar Constellation Fund, Ltd

In addition to the above, the Trustee contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme year. The following funds do not hold listed equities but did have voting and engagement opportunities over the Scheme year:

- M&G Total Return Credit Investment Fund
- PIMCO GIS Low Duration Opportunities Fund

M&G were able to provide examples of voting and engagement for the Fund, and we have two examples in section 9.4 below. The Scheme fully disinvested from the M&G Total Return Credit Investment Fund on 20 March 2023, before the Scheme year end. PIMCO, which the Scheme fully disinvested from on 26 May 2022), are unable to provide voting details as they do not typically provide such details related to Mutual Funds/Comingled Products for reasons around selective disclosure.

None of the other funds that the Scheme invested in over the Scheme year held any assets with voting opportunities.

9.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

Overall, the Trustee is comfortable that the Scheme's investment managers' voting behaviour was aligned with the Scheme's policies during the Scheme year.

The Trustee reviewed these policies in the Scheme year ending 31 March 2024, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustee's views.

LGIM

LGIM's voting and engagement activities are driven by its ESG professionals and its assessment of the requirements in these areas, aiming to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account feedback from clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as it continues to develop its voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their 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 companies.

The Investment Stewardship team use third parties to augment their own research and proprietary ESG assessment tools when making specific voting decisions.

To ensure its proxy provider votes in accordance with their 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 it considers to be minimum best practice standards. LGIM retains the ability in all markets to override any vote decisions. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report). LGIM has strict monitoring controls to ensure its votes are executed in accordance with its voting policies by its proxy voting service providers. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform of rejected votes which require further action.

M&G

M&G believe that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. M&G believe that if a company is run well, and sustainably, it is more likely to be successful in the long run.

As an active fund manager, M&G meet with investee companies to add value to the investment process, to increase their understanding, or provide feedback to a company. M&G also undertake ESG engagement, which is focussed on achieving positive real world outcomes. M&G focus on the underlying substance of their engagement, delivery of their engagement objectives and the relevance for their investments when assessing the quality and effectiveness of these activities.

M&G engage as both equity holders and fixed income investors to protect their clients' interests before and during the course of an instrument's life. For ESG engagements, M&G's aim is to influence company behaviour or disclosure. As investors in private or illiquid asset classes, or where there is an intention to hold the asset to maturity, M&G undertake extensive due diligence and engagement prior to, and throughout, investment.

Active and informed voting is an integral part of M&G's responsibility as stewards of their clients' assets. In using their votes, M&G seek to add value and protect the interests of their clients as shareholders. M&G's starting point as an active, long-term fund manager is to support the long-term value creation of their investee companies, and there will be occasions when they need to vote against management-proposed resolutions or support shareholder resolutions which are not recommended by the board, if they believe this is in the best interest of their clients and the company. In these cases, where it is practical, M&G seek to engage prior to voting.

As signatories to the UK Stewardship Code 2020 M&G see growing legislative and client expectations as stewards of client assets, beyond listed equities. This includes increased reporting and disclosure requirements, particularly concerning the quantity and quality of company engagements and significant votes.

M&G operate a centralised Engagement Tool to evidence and record ESG engagements. The validation of engagements rests with their Stewardship & Sustainability (S&S) team, who assess each engagement within the proprietary engagement tool before approving them. Voting results, meanwhile, are published on M&G's website on a quarterly basis.

Climate change is a central focus of M&G's top-down engagement programme for investee companies, both bilaterally and through collective engagement programmes such as Climate Action 100+.

Importantly, engagement work on topics such as climate has increasingly expanded across asset classes, away from a sole equity focus. All of M&G's investment teams have access to a range of external ESG data providers, as well as a suite of internally-developed proprietary tools, which helps ensure that the teams have sufficient ESG data and research that can be used by both portfolio managers and analysts when engaging with companies on the issues that are material to them.

The S&S team supports M&G's investment team on a range of issues that can affect their investments over the long term, acting as a dedicated central ESG resource for the whole of M&G Investments.

M&G's approach across asset classes continued to develop in 2022, as they continue to make use of their broad cross-asset capabilities, often as a holder of both a company's equity and debt, to increase the significance of their engagement activities. Across asset classes, the end goal of all of M&G's stewardship activities is to best serve their clients by achieving positive outcomes, and helping ensure their investee companies are effectively dealing with all of the material risks affecting them, both financial and non-financial.

This could require continued engagement to bring about positive change or, where this does not prove possible, voting against board members or ultimately divesting from a company.

Magnetar Financial LLC ("Magnetar")

Magnetar's voting is carried out via their proxy voting advisor, ISS. Magnetar's view is that proxy voting ensures each vote is considered and recorded using a policy with which Magnetar are comfortable.

Historically, Magnetar's proxy voting decisions have not been driven by ESG considerations. Magnetar's Proxy Voting Policy requires Magnetar to vote proxies prudently and solely in the economic interests of, and for the exclusive purpose of providing economic benefits to, clients. Social, political or other objectives unrelated to the value of clients' investments will not be considered. Magnetar has retained ISS as its proxy service provider and generally relies on its standard voting policy. However, if Magnetar chooses to vote differently from ISS's recommendation, the relevant Portfolio Manager will notify Magnetar's Proxy Voting Coordinator (as defined in Magnetar's Proxy Voting Policy), explaining the rationale for such vote.

The Scheme has implemented a disinvestment schedule with Magnetar to fully redeem its holding, and therefore the holding is being wound down over time.

PIMCO

As a global leader in active fixed income, PIMCO aims to have a premier issuer engagement program. PIMCO view engagement as a long-term and dynamic process that evolves over several years. PIMCO's goal is to maintain a constructive and ongoing dialogue with issuers by providing specific recommendations and references and setting regular follow-up where appropriate – PIMCO also use collaborative engagement, where they jointly engage with issuers and with other investors on a specific ESG topic, to help amplify their reach and reinforce their message. Ultimately, the persistent lack of response or progress from issuers and prevailing evidence of ESG risks are reflected in their internal issuer ESG assessment, labelled ESG bond assessment, and investment recommendations for PIMCO strategies, including dedicated ESG portfolios.

As a general matter, PIMCO will adhere to its fiduciary obligations for any proxies it has the authority to vote on behalf of its clients. Each proxy is voted on a case-by-case basis, taking into account relevant facts and circumstances. When considering clint proxies, PIMCO may determine not to vote a proxy in limited circumstances.

Fixed income securities can be processed as proxy ballots or corporate action-consents at the discretion of the issuer/custodian.

When processed as proxy ballots, the Industry Service Provider generally does not provide a voting recommendation and their role is limited to election processing and recordkeeping. In such instances, any elections would follow the standard process that PIMCO follows for Equity Securities.

When processed as corporate action-consents, the Legal and Compliance department will review all election forms to determine whether an actual or potential conflict of interest exists with response to the Portfolio Manager's consent election. PIMCO's Credit Research and Portfolio Management Groups are responsible for issuing recommendations on how to vote proxy ballots and corporation action-consents with respect to fixed income securities.

9.2 Summary of voting behaviour

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

Manager name	Magnetar Financial LLC
Fund name	Magnetar Constellation Fund, Ltd
Total size of fund at end of the Scheme Year	£1,375,455,279
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£14,027,170 / 9.4%
Number of equity holdings at end of the Scheme Year	615
Number of meetings eligible to vote	271
Number of resolutions eligible to vote	1231
% of resolutions voted	97.5%
Of the resolutions on which voted, % voted with management	86.1%
Of the resolutions on which voted, % voted against management	11.3%
Of the resolutions on which voted, % abstained from voting	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	13.3%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11.4%

9.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee requested each manager to provide a shortlist of votes where applicable, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria[1] for creating this shortlist. Magnetar were only able to provide 2 examples of what they consider to be most significant votes by their criteria. The Trustee will contact Magnetar to re-state that a minimum of 10 significant votes should be provided for next year's Implementation Statement.

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1 Vote reporting template for pension scheme implementation statement – Guidance for Trustees (plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- The Trustee has interpreted "significant votes" to mean those that:
- align with the Trustee's stewardship priorities;
- might have a material impact on future company performance
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support;
- the subject of the resolution aligned with the investment manager's engagement priorities or key themes; and/or
- the Scheme or the sponsoring company may have a particular interest in.

Magnetar consider 'significant votes' to be relative to a holding percentage, specifically whether Magnetar Constellation Fund Ltd. owned 5% or more of the outstanding units in any given entity.

Due to Magnetar only providing two examples of most significant votes for the Scheme year ending 31 March 2023, the Trustee has reported on both of the significant votes provided by Magnetar as the most significant votes in this Statement, noting that due to the limited number of voting examples provided, the criteria for 'significant votes' reported on here corresponds to what Magnetar have deemed as 'significant votes'. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

For the significant vote examples reported below, we have not listed the 'relevant stewardship priority' as Magnetar's voting examples are based upon what Magnetar deem to be 'significant votes' and as both examples provided are unrelated to the Trustee's stewardship priorities. We have also not included information on whether, where the fund manager's voting decision was against management, the voting intent was communicated to the company ahead of the vote. This is because in both voting examples provided by Magnetar, the fund manager's vote was in line with the firm management's recommendation.

Magnetar Constellation Fund, Ltd

"Company A", 12 December 2022

- **Summary of resolution:** Resolution to amend certificate of incorporation to extend consummation of business
- **Approx size of the holding at the date of the vote** 20%
- **Why this vote is considered to be most significant:** Magnetar consider this to be a 'significant vote' as the approximate holding size at the date of the vote was 20%. Magnetar consider 'significant votes' to be relative to a holding percentage, specifically whether Magnetar Constellation Fund Ltd. Owned 5% or more of the outstanding units in any given entity, and this was the case here.
- **Firm management recommendation:** For **Fund manager vote:** For
- **Rationale:** "Company A" is a Special Purpose Acquisition Company ("SPAC"). A large portion of the common equity that the Fund has held in its portfolio during the relevant period consists of SPAC units, which include both common shares and warrants. By voting in favour of the resolution, which sought to "Extend Consummation of Business Combination" by 6 months, this would potentially serve to maximize the

value of the warrant component of the units that the Fund typically holds for the Fund's investors by providing the sponsor of the SPAC more time to complete a business combination / merger. Please note that a shareholder can redeem the common shares and receive their trust value back (plus interest) at any time prior to the consummation of a business consummation / merger. However, if said deal does complete, the warrants would have a value given that they represent a five year call option, even if the share component is ultimately fully redeemed. However, if said deal does not complete, the value of the warrants would go to zero. Therefore, our view is that voting for the deal's completion would always position the Fund to potentially achieve a better financial outcome for shareholders than by voting against it.

- **Outcome of the vote and next steps:** For. The Trustee will continue to monitor Magnetar's voting and engagement policies and activities, noting that the Trustee has already committed to a full redemption from the fund which is currently on a disinvestment schedule.

"Company B", 14 March 2023

- **Summary of resolution:** Resolution to amend certificate of incorporation to extend consummation of business
- **Approx size of the holding at the date of the vote** 6.5%
- **Why this vote is considered to be most significant:** Magnetar consider this to be a 'significant vote' as the approximate holding size at the date of the vote was 6.5%. Magnetar consider 'significant votes' to be relative to a holding percentage, specifically whether Magnetar Constellation Fund Ltd. Owned 5% or more of the outstanding units in any given entity, and this was the case here.
- **Firm management recommendation:** For **Fund manager vote:** For
- **Rationale:** "Company B" is a Special Purpose Acquisition Company ("SPAC"). A large portion of the common equity that the Fund has held in its portfolio during the relevant period consists of SPAC units, which include both common shares and warrants. By voting in favour of the resolution, which sought to "Extend Consummation of Business Combination" by 6 months, this would potentially serve to maximize the value of the warrant component of the units that the Fund typically holds for the Fund's investors by providing the sponsor of the SPAC more time to complete a business combination / merger. Please note that a shareholder can redeem the common shares and receive their trust value back (plus interest) at any time prior to the consummation of a business consummation / merger. However, if said deal does complete, the warrants would have a value given that they represent a five year call option, even if the share component is ultimately fully redeemed. However, if said deal does not complete, the value of the warrants would go to zero. Therefore, our view is that voting for the deal's completion would always position the Fund to potentially achieve a better financial outcome for shareholders than by voting against it.
- **Outcome of the vote and next steps:** For. The Trustee will continue to monitor Magnetar's voting and engagement policies and activities, noting that the Trustee has already committed to a full redemption from the fund which is currently on a disinvestment schedule.

9.4 Engagement examples in relation to assets other than listed equity

M&G provided a range of engagement examples in relation to the Total Return Credit Investment Fund in which the Scheme was invested during the Scheme year. The Trustee has selected two examples for inclusion in the implementation statement. These examples have been selected due to their relevance in relation to the Scheme's voting and engagement policy on climate change and the Scheme's stewardship priority: corporate transparency.

The following two engagement examples were provided by the M&G for the Scheme's investment in the Total Return Credit Investment Fund which does not hold listed equities, but invest in assets that had voting and engagement opportunities during the Scheme Year:

Duke Energy Group

- **Engagement start date:** 14 February 2023
- **Associated ESG pillar:** Environment
- **Underlying issue/theme:** Environment – Climate change
- **Engagement objective:** As part of the ongoing M&G coal engagements, M&G engaged to ask the North American electric power and natural gas holding company Duke Energy Group to disclose a phase out plan to exit coal by 2030 (currently 2035)
- **Action taken:** M&G held a call with investor relations at Duke Energy
- **Engagement open or closed:** Closed
- **Engagement result:** The company confirmed the information announced in their Q4 2022 earning review and business update (released 9 February 2023) in that the company plans for an orderly transition out of coal by 2035, ensuring that replacement generation is in-service prior to retirement to ensure reliability of the network and affordability of energy for clients.
- **Engagement outcome success rating:** Amber
- **Why this engagement activity has been included:** This engagement activity relates to climate change, which the Trustee believes will be a financially material issue over the time horizon of the Scheme. This engagement further relates to corporate transparency, the Scheme's stewardship priority.

Grifols SA

- **Engagement start date:** 25 April 2022
- **Associated ESG pillar:** Environment
- **Underlying issue/theme:** Environment – Net Zero
- **Engagement objective:** To encourage Spanish plasma-derived medicine producer Grifols to publish short, medium and long-term decarbonisation plans validated by the Science Based Target initiative (SBTi). M&G also stressed the importance of climate initiatives being monitored by top management with regular review, as well as linking targets to long-term incentives.
- **Action taken:** M&G met with the company's Senior Director of IR & Sustainability to make our expectations known.
- **Engagement open or closed:** Closed
- **Engagement result:** Grifols currently has a project underway with an external party in relation to carbon reduction. This is helping the company to align with Paris, and Grifols plans to have a methodology in place by the second half of 2022 for scope 1 and 2 emissions. It is also calculating and analysing scope 3, and will include its findings in a report due in the first quarter of 2023. The company said it would run the results with the SBTi methodology and make them public, and then make a commitment to SBTi, which M&G encouraged. In terms of governance, the chief investment officer monitors climate initiatives twice a year, and M&G suggested more regular monitoring, as well as ESG KPIs being included in long-term incentives. M&G will follow up with Grifols once the initial methodology is in place, and will continue to monitor the company's progress.
- **Engagement outcome success rating:** Amber
- **Why this engagement activity has been included:** This engagement activity relates to climate change, which the Trustee believes will be a financially material issue over the time horizon of the Scheme. This engagement further relates to corporate transparency, the Scheme's stewardship priority.