

10 Implementation Statement (forming part of the Trustee Report)

The Trustee of the Fenner Pension Scheme (the “Scheme”) is required to produce a yearly 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

The voting and engagement policies in the SIP were reviewed and updated during the Scheme Year (in August 2023) to reflect the DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement. This expects trustees 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. Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted.

During the Scheme Year, in May 2023 the Trustee completed its purchase of a bulk annuity contract with Phoenix Life Limited.

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.

2. Voting and engagement

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 to the extent it considers appropriate based on the nature of the investment funds and the circumstances of the Scheme, with the help of its investment adviser, LCP.

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.

Following the introduction of DWP’s guidance, the Trustee agreed to set a stewardship priority to focus engagement with their investment managers on specific ESG factors at its meeting in Q1 2023, shortly before the beginning of the Scheme Year. The SIP was subsequently updated during the Scheme Year in August 2023 and the priority was then communicated to the managers along with the Trustee’s expectations of the managers in relation to stewardship.

The Trustee has selected one priority theme – corporate transparency – to provide a focus for the monitoring of investment providers’ voting and engagement activities. This was chosen as it is a market wide area of risk that is financially material for investments and can be addressed by good stewardship. The Trustee believes it is members’ best interests that the Scheme’s investment providers adopt strong practices in this area. The Trustee will review this priority regularly and update it if appropriate.

The Trustee has written to the Scheme’s investment providers to notify them of the Scheme’s priorities and to remind them of its expectations in relation to responsible investment.

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 (mainly via its investment advisor) with managers to clarify expectations and encourage improvements.

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

'The Trustee recognises its responsibility as an owner of capital, and believes 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 and is in the best interests of the Scheme's members. 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 providers.

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 providers to use voting rights to achieve the best possible sustainable long-term outcomes.

The Trustee expects all its investment providers to practice good stewardship. When selecting new providers, the Trustee's investment advisers assess the ability of each investment provider to engage with underlying companies in order to promote the long-term success of the investments, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

While the Trustee chooses providers that align with its beliefs on stewardship (where possible), there are instances where the Trustee has less direct influence over the providers' policies on the exercise of investment rights. This is the case for assets which are held in pooled funds and the Scheme's buy-in policy, 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 party and seek to better align the policies of the Trustee with the behaviour of the party.

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 providers to independently consider whether exclusion or engagement is more appropriate within their process.

When selecting, monitoring and de-selecting asset providers, 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.'

3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within a pooled fund and the Trustee has delegated to its investment manager 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. None of the other funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

3.1 Description of the voting processes

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

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

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.

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, explaining the rationale for such vote.

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

3.2 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	£1,368,893,891
Value of Scheme's invested assets at end of the Scheme Year (£ / % of total invested assets, excluding annuities)	£12,213,491 / 84.8%
Number of equity holdings at end of the Scheme Year	474
Number of meetings eligible to vote	123
Number of resolutions eligible to vote	559
% of resolutions voted	100.0%
Of the resolutions on which voted, % voted with management	78.6%
Of the resolutions on which voted, % voted against management	21.9%
Of the resolutions on which voted, % abstained from voting	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	18.7%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	18.2%

Note: totals may not sum due to rounding.

3.3 Most significant votes

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

The Trustee did not inform Magnetar which votes it considered to be most significant in advance of those votes.

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 has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist. Magnetar were only able to provide two examples of what they consider to be significant votes by their criteria. The Trustee does not view this as a significant concern given the Trustee has already instructed a full disinvestment from Magnetar which is due to be completed in 2025.

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;

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/vote-reporting-template-for-pension-scheme-implementation-statement-guidance-for-trustees). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- 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 2024, the Trustee has reported on all two 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 all 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 all 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", 5 June 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 (as proportion of Fund's NAV):** 0.3%
- **Why this vote is considered to be most significant:** Magnetar consider this to be a 'significant vote' as Magnetar's percentage ownership of outstanding units in the entity was 34.2%. 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 C”, 11 May 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 (as proportion of Fund's NAV):** 2.8%
- **Why this vote is considered to be most significant:** Magnetar consider this to be a 'significant vote' as Magnetar's percentage ownership of outstanding units in the entity was 7.5%. 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 C" 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.