Implementation Statement, covering the Scheme Year from 1 January 2024 to 31 December 2024

The Trustee of the Unipart Group 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 SIP and Investment Policy Implementation Document were updated in March 2024 to reflect the:

- full redemption from the absolute return bonds mandate with Payden and Rygel;
- increased allocation to investment grade corporate bonds managed by AXA; and
- increased allocation to multi-asset credit managed by M&G.

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

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year. The Trustee has a responsible investment framework that is reviewed on an annual basis. The framework outlines the Trustee's policy on responsible investment and how the Trustee manages environmental, social and governance (ESG) and stewardship risks.

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 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.

Specifically, LCP assesses the Scheme's managers and funds by reviewing their responsible investment (RI) practices, conducting qualitative assessments, and assigning scores. These scores cover the manager's approach to ESG factors, voting, and engagement. The fund scores and assessments are based on LCP's manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2024.

The Trustee was satisfied with the review process and took an action to continue to engage with the Scheme's illiquid credit managers, to look to improve engagement and application of ESG and RI practices across the asset classes.

In line with DWP's guidance on stewardship, the Trustee has selected priority ESG themes to provide a focus for ongoing monitoring of the investment managers' voting and engagement activities. The Trustee's current priorities are climate change and human rights.

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.

The Trustee regularly invites the Scheme's investment managers to present at Investment Committee ("IC") meetings. Over the Scheme Year, the Trustee met with Arcmont, M&G, CBRE and SVP. The investment managers provided examples of how stewardship and responsible investment is integrated within their investment processes as part of their presentations.

The Trustee invested in a new pooled fund, the AXA Investment Grade ABS Fund in December 2024. The Trustee considered the stewardship and ESG credentials of the fund as part of the wider appointment decision. The fund is categorised as falling within the scope of Article 8 of SFDR.

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.

The Trustee does have exposure to equity markets synthetically through its segregated account managed by Schroders, however there are no voting rights attached to these holdings.

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:

- Ruffer LLP Absolute Return Fund

We have also included commentary (provided by the investment managers) on the following funds who do not hold listed equities, but invested in assets that had voting opportunities during the period:

- Alcentra European Direct Lending Fund III
- Alcentra Strategic Credit Fund I
- Arcmont Senior Loan Fund I
- CarVal Credit Value Fund IV
- CarVal Credit Value Fund V
- CBRE Global Alpha Fund
- Hayfin Direct Lending Fund II
- Hayfin Special Opportunities Fund II
- IFM Global Infrastructure Fund
- SVP Strategic Value Special Situations Fund IV
- SVP Strategic Value Special Situations Fund V

We have not included commentary on the following funds that the Scheme invested in during the period, which do not hold listed equities or where voting information is not available:

- AXA Buy and Maintain Credit Fund
- AXA Investment Grade ABS Fund
- GreenOak Secured Lending Fund III
- Innisfree PFI Secondary Fund
- Insight High Grade ABS Fund
- M&G Alpha Opportunities Fund
- Partners Group Direct Infrastructure Fund
- Schroders segregated index-linked gilts and structured equity assets

3.1 Description of the voting processes

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

3.1.1 Alcentra

Alcentra provided the following wording to describe its voting practices:

As a credit manager, proxy voting is not material within the context of our activities. The number of occasions when Alcentra will be engaged in proxy voting will be limited. It is most likely to occur with high yield bond investments, where an allocation may take on formal voting rights. In such instances, Alcentra uses the opportunity to vote on matters concerning governance and corporate responsibility. Alcentra generally will not be called upon to vote for proxies for its syndicated loan and Direct Lending investments because of the nature of the instruments involved in the investment strategy (i.e., loans rather than securities). An exception may be when Alcentra holds loan investments which could be converted to voting securities. Proxy votes are also not generally conducted for corporate bonds. In addition, proxy votes may take place from time to time on Structured Credit investments where our fund holds the equity tranche. When engaged by a client to provide discretionary advisory services, Alcentra is typically delegated the responsibility to vote on matters considered at portfolio companies' shareholder meetings, usually by means of a proxy ballot ("proxy voting"). In these instances, Alcentra has a duty to monitor corporate events and to vote proxies in the best interest of its client and not subrogate the interests of its clients to its own interests. This generally means voting with a view toward enhancing the economic value of the investment. When it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so. However, there may be instances when the Firm is unable or unwilling to vote because of legal or operational difficulties or because it believes the administrative burden and/or associated cost exceeds the expected benefit to a client. Alcentra reviews the circumstances for each vote to determine which stance would best serve its clients and aims to act accordingly.

3.1.2 Arcmont

Arcmont provided the following wording to describe its voting practices:

As a private debt asset manager, funds managed or advised by Arcmont Asset Management Limited (the "Arcmont Funds") hold varying levels of rights and responsibilities across their portfolio of investments depending on the investment strategy in question. The primary asset class in which the Arcmont Funds invest is debt. However, the Arcmont Funds do take sometimes take equity positions alongside the debt investments they make. These will typically be minority investments (generally representing between 5% and 10% of the aggregate equity interests in the asset) and structured as either a shareholding or as an LP investment in a coinvest fund.

It is generally fair to say that the Arcmont Funds are entirely passive equity investors. In equity investments structured as coinvest, the Arcmont Funds will be LPs and so the asset will be managed on their behalf, with no voting or consent rights as regards the asset. For equity investments structured as shareholdings, the Arcmont Funds' holding is typically so small that their consent is not required for any decision and they will typically not be consulted, subject to certain market-standard protections for minority investors. Note that this scenario obviously excludes cases where the Arcmont Funds hold all, or substantially all, equity interests in an asset due to having enforced over their debt.

3.1.3 CarVal

CarVal provided the following wording to describe its voting practices:

To the extent that opportunities to participate in proxy voting arise, AB CarVal will use its voting rights in respect of matters of corporate responsibility and governance. AB CarVal's Proxy Voting Policy aims to clarify AB CarVal's process for voting proxies, ensure that AB CarVal votes proxies in the best interests of its funds, and establish procedures for responding to investor requests regarding proxy votes.

3.1.4 CBRE

CBRE provided the following wording to describe its voting practices:

With regards to voting, CBRE Investment Management Indirect ("CBRE IM Indirect") manages indirect private real estate portfolios on behalf of separate accounts and pooled vehicles and will exercise voting on any relevant issues that may arise. The nature of the voting undertaken for the investments targeted differs from listed equities, being typically of an administrative nature. Voting forms only a limited part of our overall engagement approach, which includes regular interaction with our operating partners and underlying fund managers through control rights or advisory board representation, alongside meetings with management. We therefore are unable to provide collated voting statistics for Global Alpha.

3.1.5 Hayfin

Hayfin provided the following wording to describe its voting practices:

We do not typically hold voting board seats due to the nature of our investments in the private credit strategies. Instances where we would hold a voting seat, the investment professional would vote in the best interest of our investors and in line with the relevant Investment Committee strategy.

3.1.6 IFM

IFM provided the following wording to describe its voting practices:

The primary focus of the IFM Global Infrastructure Fund (GIF) is to provide investors with exposure to a diversified portfolio of unlisted infrastructure assets. There are times where an opportunistic hold of a listed entity is an attractive complement to the unlisted portfolios. The acquisition of listed positions is generally motivated by gaining long-term strategic positions, with significant equity ownership, in attractive core infrastructure assets.

Listed exposures are confined to Atlas Arteria, Vienna Airport and Naturgy Energy, and these assets represent only three of out of a total of 23 portfolio investments as at 31 December 2024.

With regards to the voting and engagement activities between GIF and the underlying portfolio companies, the underlying holdings of GIF are private equity investments rather than public market listed equities. Our influence on such investments is made directly by IFM through IFM's Board representation on the underlying portfolio companies rather than through any form of proxy voting.

Even for the listed assets in our infrastructure funds, we hold board seats. Consequently, we do not need to vote our shares to influence the board; a senior executive in IFM's Infrastructure Team is on the board. This ensures we follow an active ownership style. By way of example, IFM has two board seats on the Vienna Airport Supervisory Board – Lars Bespolka (Executive Director, IFM Infrastructure Team) and Boris Schucht (IFM nominee, CEO of 50Hertz). Jaime Siles Fernandez-Palacios (Investment Director, IFM Infrastructure Team) serves on the Board of Naturgy and Ken Daley (IFM Adviser) serves on the Board of Atlas Arteria.

3.1.7 Ruffer

Ruffer provided the following wording to describe its voting practices:

To ensure that we act in the best interests of our clients and investors, we review local best practices and corporate governance codes. Where companies do not comply with best practice, we consider their explanations before voting.

We have developed an integrated voting platform linked to proxy voting research, currently provided by ISS, to assist in the assessment of resolutions and the identification of contentious issues.

Although we acknowledge proxy advisers' voting recommendations, we generally do not delegate or outsource our voting decisions. Research Analysts are responsible for reviewing the relevant issues case by case and exercising their judgement, based on their in-depth knowledge of the company. They are supported by our Responsible Investment team.

3.1.8 SVP

SVP provided the following wording to describe its voting practices:

Regarding the PLSA voting data spreadsheet, given the nature of the Firm's debt-focused strategy, the firm infrequently holds securities for which proxy votes are required.

The general policy is to vote proxies in a manner that serves the best interests of the Funds managed by SVP, as determined by SVP in its discretion, and taking into account relevant factors, including, but not limited to:

- *The impact on the value of the securities;*
- *The anticipated costs and benefits associated with the proposal;*
- *The effect on liquidity; and*
- *Customary industry and business practices.*

3.2 Summary of voting behaviour over the Scheme Year

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

	Ruffer LLP Absolute Return Fund
Total size of fund at end of reporting period	£2,587m
Value of Scheme assets at end of reporting period (£ / % of total assets)	c£14.7m / c4.3%
Number of holdings at end of reporting period	117
Number of meetings eligible to vote	61
Number of resolutions eligible to vote	1,037
% of resolutions voted	100%
Of the resolutions on which voted, % voted with management	96.6%
Of the resolutions on which voted, % voted against management	3.3%
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	27.9%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	4.3%

3.3 Most significant votes over the Scheme Year

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

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 criteria[1] for creating this shortlist.

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

[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 Scheme or the sponsoring company may have a particular interest in.

The Trustee has reported on two of these significant votes and one engagement example. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

3.3.1 Ruffer LLP Absolute Return Fund

- **Bank of America, April 2024**

  Relevant stewardship priority: Climate Change

  Vote cast: Against resolution

  Outcome of the vote: Failed

  Management recommendation: Against resolution

  Summary of resolution: Energy transition

  Rationale for the voting decision: *Among the several shareholder proposals on the slate at the 2024 AGM, we voted against ISS recommendation and in line with management for the request of a report on clean energy supply financing ratio. This was because we believe Bank of America is committed to its Net Zero targets and provides much of the necessary data to support this. While we support enhanced disclosures more broadly, the proponent's required ratio is already available via a third-party (Bloomberg). Hence, in support of greater uniformity within the responsible investing space, we feel a vote against this proposal was the best option rather than company itself calculating this ratio with a possibly varying methodology.*

  Approximate size of the fund's holding at the date of the vote (as % of portfolio): 0.15%

  The reason the manager considered this vote to be "most significant": Ruffer defines significant vote as: any vote against management or against an ISS recommendation, any vote in breach of criteria included in Ruffer's internal voting guidelines, any shareholder resolution, any climate related resolution, any management-proposed climate-related resolution or dissident shareholder slate (US only).

  Outcome and next steps: Ruffer will continue to monitor the company.

- **Amazon, May 2024**

  Relevant stewardship priority: Human rights

  Vote cast: For resolution

  Outcome of the vote: Failed

  Management recommendation: Against resolution

  Summary of resolution: Human labour rights

  Rationale for the voting decision: *We voted in favour of a shareholders resolution requesting the Board of Directors to commission an independent third-party report, assessing Amazon's customer due diligence process to determine whether customers' use of its products and services with surveillance, computer vision, or cloud storage capabilities contributes to human rights violations. Our support for the resolution is based on the belief that such a report may highlight some concerning issues that may protect Amazon from future reputational damage.*

  Approximate size of the fund's holding at the date of the vote (as % of portfolio): 0.57%

  The reason the manager considered this vote to be "most significant": Ruffer defines significant vote as: any vote against management or against an ISS recommendation, any vote in breach of criteria included in Ruffer's internal voting guidelines, any shareholder resolution, any climate related resolution, any management-proposed climate-related resolution or dissident shareholder slate (US only).

Outcome and next steps: Ruffer will continue to monitor the company and may seek to engage if no progress is seen.

Ruffer also provided an example of engagement with Exxonmobil that is related to one of the Scheme's stewardship priorities, climate change:

- **Engagement:** A meeting with Investor Relations and Corporate Strategic Planning Executive, Greenhouse Gases.

- **Topics:** Emissions; energy transition; shareholder rights.

- **Engagement description:**

  Exxon made headlines earlier this year on reports that it had taken legal action against two shareholder activist groups, Arjuna Capital and Follow This, over a proposed shareholder resolution related to Scope 3 carbon emissions. The activists were pushing the company to set a medium-term reduction target covering greenhouse gas (GHG) emissions from the use of its energy products that is consistent with the goal of the Paris Climate Agreement. The resolution was withdrawn once Exxon launched legal action. In effect, if successful this resolution would have required Exxon to cut production, reducing both cash flow and potentially shareholder value.

  In our discussion, Exxon advanced two arguments. Firstly, it felt shareholders had already been given a voice on Scope 3 emissions and had overwhelmingly supported its strategy. When an almost identical proposal had been tabled at the 2023 AGM, 89.5% of shareholders supported management. In 2022, 72.9% of shareholders voted against a proposal asking the company to adopt medium and long-term GHG emissions targets. Secondly, Exxon's lawsuit is intended to seek clarity and consistency on the US Securities and Exchange Commission's process for approving shareholder-led proposals, not to stifle shareholders' right to submit proposals.

  Whilst we have reservations about the effectiveness of Scope 3 emissions targets for oil companies, we asked if Exxon considered its 2030 Scope 1 and 2 targets to be sufficiently stretching, given the progress it has made so far, or would it consider a more aggressive goal. Exxon countered that a reassessment of targets would only be appropriate once it had completed the integration of Denbury and Pioneer Natural Resources.

  We also spoke to Exxon about its methane emissions. Since our previous discussion, the company has joined the UN Oil & Gas Methane Partnership 2.0 (a commitment to a comprehensive measurement-based reporting framework). This is in addition to supporting the Global Methane Pledge and the Aiming for Zero Methane Emissions Initiative. Exxon has also provided additional detail in its sustainability reporting about the tools and techniques it will employ to reduce methane emissions intensity, such as satellite and other remote sensing, in situ ground-based monitoring and eliminating routine flaring in its Permian Basin operations.

  In light of the political risk associated with the upcoming US election, we asked how the company was positioned in relation to potential changes to the Inflation Reduction Act (IRA) as well as the potential to encourage further oil extraction. The IRA contains provisions which promote investment in carbon capture, utilisation and storage (CCUS) and financial incentives for domestic manufacturers to source inputs domestically. Exxon's abatement curve indicates CCUS offers the greatest opportunity to sequester emissions (particularly Scope 3 emissions of steel, fertiliser and industrial gases companies), but it is presently uneconomic to deliver that volume of sequestration. Greater policy support and a sufficient carbon price are required to deliver the volume. Nevertheless, Exxon has signed deals to capture 5 million metric tons of CO_2 per year, more than any other player. The company has also announced its entry into lithium production at a time when lithium prices have retreated, and many producers are not profitable. Exxon believes it can deploy its core expertise in mineral extraction, separation and reinjection to deliver low cost lithium carbonate to the equivalent of 1 million electric vehicles by 2027.

  We would like to follow up on many aspects of Exxon's climate solutions plan, such as blue and green hydrogen, biofuels and 'advanced plastics recycling', from the potential speed of scale up and volume throughput to capital allocation and the likely rate of return of these projects. Exxon's chosen path towards Net Zero is different from its European peers'. Yet we consider the company to be no less thoughtful in terms of resiliency of fossil fuels in a carbon constrained world and investing in the emerging businesses and technologies our economy needs to raise the standard of living whilst reducing its environmental footprint.