Implementation Statement, covering the Scheme Year from 1 January 2023 to 31 December 2023

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 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.

The voting and engagement policies in the SIP were reviewed and updated in February 2023 to reflect the Trustee's agreed stewardship priorities. The Trustee communicates these stewardship priorities to the Scheme's managers and will engage with them to encourage improvements where necessary.

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

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The key policy is*: Ruffer voting policy*. 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.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors*.* At the Q4 2022 meeting, the Trustee discussed and agreed stewardship priorities for the Scheme which were: Climate Change and Human Rights. These Stewardship policies are still in place at the end of 2023.

These priorities were selected for a combination of reasons, including the Trustee's view that these were financially material and careful management of these risks should lead to improved financial outcomes for members, and they were also closely aligned with the sponsoring employer's own sustainability policies. The Trustee subsequently communicated these priorities to the Scheme's managers with the expectation that managers:

- take account of financially material factors (including climate change and other ESG factors) when investing the Scheme's assets, and to improve ESG practices over time, within the parameters of their mandate;

- undertake voting and engagement on the Trustee's behalf in line with their own stewardship policies, considering the long-term financial interests of the Trustee; and

- provide information on their stewardship policies, activities and outcomes, as requested by the Trustee from time to time, to enable the Trustee to monitor them, and ensure they remain well aligned with the Trustee's own beliefs.

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 Responsible Investment Framework was reviewed and updated in Q3 2023 to include the Trustee's updated stewardship priorities. The Trustee also added monitoring on which of the Scheme's underlying investment managers are signatories to the Net Zero Asset Management Initiative, any net zero commitments and strategies for achieving this.

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 in the May IC meeting, Payden & Rygel in the February IC meeting, and Ruffer in the November IC meeting. The investment managers provided examples of how stewardship and responsible investment gets integrated within the investment process as part of their presentations.

The Trustee invested in a new pooled fund, the AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund. The Trustee considered the stewardship and ESG credentials of the manager as part of the wider appointment decision. The Fund has an explicit annual decarbonisation target which was a key reason why the Trustee decided to make this appointment.

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:

- GreenOak Secured Lending Fund III
- Innisfree PFI Secondary Fund
- Insight High Grade ABS Fund
- M&G Alpha Opportunities Fund

- Partners Group Direct Infrastructure Fund
- Payden & Rygel Absolute Return Bond Fund
- Schroders segregated index-linked gilts and structured equity assets
- AXA ACT Carbon Transition Sterling Buy and Maintain Credit Fund

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:

In relation to our Direct Lending Platform, as lenders, we typically do not participate in voting, but where we do have a representative on the board we would exercise our influence through such roles. In the limited occasions where we have equity holdings, we engage with the management team directly as well as via the board.

Loan and bond investments generally do not confer creditors voting rights unlike for equity holders. Where Alcentra has minority equity interests in deals it frequently isn't asked to vote as the corporate documents are set-up so that the sponsor can pass any shareholder resolutions needed without its participation in any event. Alcentra's rights are also usually limited to certain minority protections. Where Alcentra owns companies it exercises control by including language in the deal documentation requiring the board to seek investor consent for matters that it wants to approve as the manager. This is usually done via the Alcentra investor representative on the board (where relevant) rather than having a formal shareholder vote. Where voting rights exist, Alcentra will utilise these to demonstrate its support for initiatives that benefit its end investors in accordance with a firm-wide commitment to furthering the development of ESG and honouring its position as signatories to bodies such as UN PRI and TCFD.

Concerning our Strategic Credit Platform, as a credit manager voting is not material within the context of our activities and given the nature of the asset class the number of occasions where Alcentra will be engaged in proxy voting will be limited. Alcentra may hold voting rights by exception, for example as a consequence of converting debt to equity instruments through a restructuring process. As outlined in our Responsible Investment policy, when it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so and factors in any conflicts of interest.

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:

Our Direct Lending portfolio is focused on senior secured lending and does not target equity deals. Equity exposure in the portfolio likely only happens when we need to take action to protect our position and take control of a business.

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 2023.

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	£2,786m
Value of Scheme assets at end of reporting period (£ / % of total assets)	c£17.2m / c5.0%
Number of holdings at end of reporting period	59
Number of meetings eligible to vote	65
Number of resolutions eligible to vote	1,051
% of resolutions voted	100%
Of the resolutions on which voted, % voted with management	95.0%
Of the resolutions on which voted, % voted against management	3.1%
Of the resolutions on which voted, % abstained from voting	1.9%
Of the meetings in which the manager voted, % with at least one vote against management	27.7%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	9.2%

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;

[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.

- 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.

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

- **BP Plc, April 2023**

  Relevant stewardship priority: Climate Change

  Vote cast: Against resolution

  Outcome of the vote: Failed

  Management recommendation: Against resolution

  Summary of resolution: Environmental - Approve Shareholder Resolution on Climate Change Targets

  Rationale for the voting decision: *BP has, in our opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Whilst BP has tightened & reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. The Follow This resolution asks for "BP to align its 2030 Scope 3 aims with Paris". Firstly, this would require a wholesale shift in strategy, which we believe is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. This burden is unfair, particularly in the context of BP making long-cycle investment decisions.*

  Approximate size of the fund's holding at the date of the vote (as % of portfolio): 0.48%

  The reason the Trustee considered this vote to be "most significant": Relates to a stewardship priority.

  Outcome and next steps: Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which deem as unnecessary.

- **Glencore, May 2023**

  Relevant stewardship priority: Climate Change

  Vote cast: For resolution

  Outcome of the vote: Failed

  Management recommendation: Against

Summary of resolution: Approve Climate Action Transition Plan

Rationale for the voting decision: *We voted to approve the 2022 Climate Report, despite ISS's recommendation to vote against. Questions persist over the company's alignment with the Paris Agreement, and ISS raised concerns about its investment in the energy transition, and its advocacy and lobbying activities. In our view, running off its coal assets over time is necessary if it is to align with the Paris Agreement, as the carbon reduction from the closure of coal assets would far outweigh any transition investments. However, we recognise that much of Asia relies on both thermal and metallurgical coal for its energy and industrial needs, and this demand is unlikely to change in the short term. Glencore's track record in reducing its emissions so far seems to be tracking the company's stated plans, so we are satisfied with its progress. We also voted in favour of a shareholder resolution on the next climate action transition plan, in line with ISS and against management. The proposal seeks clarification and information in Glencore's next climate report, including disclosure of how projected thermal coal production and associated capital expenditure aligns with the Paris Agreement and the extent of any inconsistencies with the IEA Net Zero scenario timelines.*

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

The reason the Trustee considered this vote to be "most significant": Vote against management and it supports the Scheme's stewardship priorities.

Outcome and next steps: Ruffer think the proposal to request additional information on the transition plan is the most appropriate next step.

Ruffer also provided an example of engagement with Glencore that is related to one of the Scheme's stewardship priorities, Human rights:

- **Engagement:** A meeting with the Head of Sustainable Development and the Head of Investor Relations and Communications.

- **Topics:** Human labour rights; energy transition; stakeholder management.

- **Engagement description:** *We questioned whether Glencore's business activities in South America were being conducted in line with its own stated policies or indeed with expectations laid out by the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct or the Voluntary Principles on Security and Human Rights. Secondly, we considered whether these issues could affect Glencore's social licence to operate.*

  Glencore reiterated these reports contained nothing new; the allegations had been made previously and have been addressed by the company in good faith. The company also noted that, given these reports were all published in the second half of 2023, their release could be linked to putting pressure on lawmakers to strengthen the forthcoming European Union Corporate Sustainability Reporting Directive (CSRD) regulations. One of Glencore's subsidiaries responded in writing, rebutting the claims outlined in the Cerrejón report, and Glencore stated it would subsequently meet with CooperAcción (one of the publishers of the report on the Antapaccay copper mine) to discuss the Peruvian allegations.

  The social licence to operate depends on local stakeholders' acceptance of a company's standard business practices. In the case of mining, questions about the social license may take the form of delayed permitting, rejected project applications or a sovereign state deciding to cancel existing mining operations. Glencore noted that, whilst social licence remains front of mind, it is not a major concern. To explain, Glencore said it had reviewed the country risk rating applied to the areas where it operates. No adjustment was applied to the risk rating for operations in the South American region, but the risk rating for the African operations was increased. We went on to discuss Glencore's proposed acquisition of Teck Resources' steelmaking coal business, Elk Valley Resources, which was announced in November 2023 and is due to close in the third quarter of 2024. The plan is first to merge the metallurgical coal business into Glencore and then, within two years of the merger, to split Glencore into two businesses: a pure-play coal producer; and a supplier of copper, cobalt, zinc, and nickel to the energy transition.

  Questions have been raised about how Glencore will report its carbon footprint post-acquisition, especially given shareholder dissent at the publication of its 2023 Climate Progress Report. For the 2024 update, Glencore confirmed it would neither re-baseline its carbon emission profile nor include Elk Valley Resources in its carbon emissions reduction plan. If Glencore plans to hold the Elk Valley Resources asset as part of a consolidated business, we think best practice would be to restate the carbon footprint to account for significant acquisitions or divestitures. For shareholders judging climate risk and the efficacy of *a transition plan, an estimate of a company's carbon footprint and emissions trajectory provides valuable insight.*

Given our analytical approach to decomposing carbon-related risk, we asked Glencore whether it would consider disclosure of the hurdle rates or cost of capital applied to assessing abatement projects, as well as the carbon prices used in its scenario analysis. Whilst Glencore has previously disclosed its marginal abatement cost curve (MACC), we also asked whether the company had any tangible examples of the real-world success or failure of projects identified within the MACC framework. Such information would help us as investors to better understand the company's portfolio resilience, asset life and sensitivity to energy scenarios. Glencore has no current plans to disclose internal carbon price assumptions or to elaborate on cost of capital, but it said it considers the portfolio and investment decisions through this lens. On its scenario analysis, the business maintains it is resilient to changing market dynamics. Ruffer may seek to engage further with Glencore as we approach the 2024 annual general meeting and review any materials the company issues before the meeting.