Advice on the annual Implementation Statement for the year ended 31 March 2024

Kenwake Pension Scheme

19 June 2024

This note has been prepared for the Trustee of the Kenwake Pension Scheme (the "Scheme") in response to your request that we provide a draft Implementation Statement ("Statement") for the Scheme.

Background and introduction

There is a requirement for most trust-based defined benefit ("DB") and defined contribution ("DC") pension Schemes to produce a Statement which covers the report and accounts year (which is the 12 months to 31 March for the Scheme).

The Department for Work and Pensions ("DWP") issued Statutory Guidance in June 2022 which applies to any Statement that trustees are required to prepare in respect of pension scheme year ends on or after 1 October 2022. The guidance gives an overview of the items which Trustees "must", "should", are "encouraged", "could" or "may" include in their Statements.

"Must" items are requirements imposed by legislation. "Should" items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For "Could", "May" and "Encouraged" items, it is hoped that trustees will address them where possible but they are not expected to explain reasons if not followed. We have included all "must" items.

The guidance states that the Pensions Regulator is the primary audience for the Statement, but it should be written in plain English as far as possible so that members could reasonably interpret and understand the disclosures. Schemes are encouraged to consider producing member-facing summary versions of the Statement (with signposting to the full Statement) if Scheme-specific research has found that members are more likely to engage with a different style of communication, such as a summary version. Please let us know if you would like us to prepare a summary version of the Statement.

The DWP has stated that it is important that trustees understand and consider financially material Environmental, Social and Governance ("ESG") factors and stewardship approaches in their investment decisions.

For DB Schemes without a DC section (such as your Scheme), the Statement should set out how, and the extent to which, the Trustee has followed the **voting and engagement policies** in the Statement of Investment Principles ("SIP") during the Scheme Year. In addition, Trustees should seek to demonstrate they have had regard to the Statutory Guidance.

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

The DWP's guidance states: "where Trustees use the voting policy of the asset manager, they should briefly summarise in the Statement whether the asset manager's voting behaviour was aligned with the Scheme's stewardship priorities". As the Trustee has not set stewardship priorities, this has not been included in the Statement. We have added some wording to note that stewardship priorities have not been set, due to a focus on other ESG factors, namely assessing the managers' ESG and stewardship priorities.

Key points

We have produced the draft Statement in this note based on our current understanding of the regulatory requirements and the DWP's stewardship guidance. Ultimately it is the Trustee's responsibility to produce a compliant Statement and the Pensions Regulator can impose fines for non-compliance. Therefore, **you may wish to obtain legal advice to ensure that all requirements have been met.**

There is interest in the Statement from the Pensions Regulator, policymakers, and the media; as such **please ensure you are comfortable with the content being in the public domain.**

In the section of the Statement on voting behaviour, we have included data on the Scheme's fund that holds equities, namely the:

- Legal & General All World Equity Index Fund.

We have also included commentary on the following funds provided by the Scheme's asset managers who do not hold listed equities, but invest in assets that had voting opportunities during the period:

- Aegon Asset-Backed Securities Fund;
- Insight Maturing Buy & Maintain Bond Funds;
- Ninety One Multi-Asset Credit Fund.

We have not included data on, or commentary in relation to the Columbia Threadneedle LDI portfolio. Due to the nature of these investments, voting is not applicable.

Next steps

We propose that you review the Statement and include it within your Report & Accounts ending 31 March 2024 to comply with the relevant regulations. The Report & Accounts need to be finalised within seven months of the end of the Scheme Year, ie by 31 October 2024. **You are required to publish your Statement on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off.**

We expect you will use the same location for the Statement as last year. It remains very important that the website is readily and publicly available. A web address for the location of the published materials must be included in members' Annual Benefit Statements (where members do not receive one, they must be sent a separate notification containing this information).

Please let us know if you have any questions or would like to discuss.

Contact details

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Implementation Statement, covering the Scheme Year from 1 April 2023 to 31 March 2024

The Trustee of the Kenwake 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, the Trustee (including the most significant votes cast by the Trustee or on its 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 noted 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. The Trustee has not yet agreed a set of stewardship priorities as the Trustee's focus has been on monitoring the overall ESG credentials (including stewardship) of the underlying managers as appropriate.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year.•The Scheme SIP was last reviewed and updated in October 2023 and finalised, post sponsor consultation in June 2024.

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

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights and engagement. As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, assesses the nature and effectiveness of managers' approaches to voting and engagement.

LCP's RI scores for the Scheme's existing managers and funds are included in the quarterly performance monitoring report. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The Trustee also receives quarterly updates on ESG and Stewardship related issues from LCP as part of their quarterly investment update report.

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.

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:

- Legal & General All World Equity Index Fund.

LCP, on behalf of the Trustee, also 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 Trustee has been informed that none of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities, however Aegon, Insight and Ninety One provided detail on their engagement activities, which is included in the next Section.

3.1 Description of the voting processes

3.1.1 Managers with voting opportunities

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

Legal & General ("LGIM")

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) 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 LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also considers client feedback received at regular meetings and/or ad-hoc comments or enquiries

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

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

To ensure its proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards, which it believes all companies globally should observe, irrespective of local regulation or practice. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure votes are fully and effectively executed in accordance with its voting policies by its service provider.

3.1.2 Other engagement

Aegon

Although Aegon has reported no voting activities over the period, its Responsible Investment team leads engagements with issuers with the aim of improving ESG outcomes and disclosure. Engagement is typically triggered by one of three factors:

- The identification of ESG issues that create financial risk.
- Violation of its clients' ESG standards and policies, as specified in mandates.
- RI investment strategies seeking to encourage certain ESG behaviours.

In the one-year period ending 31 December 2023, Aegon engaged with 98 issuers in the portfolios for 127 engagements.

Insight

Although Insight has reported no voting activities over the period, it conducted various engagements, which incorporated discussions of ESG issues. Insight understands that it must demonstrate the highest standards of accountability and transparency in its stewardship programme. Insight has an unwavering commitment to stewardship.

Engagement with issuers is a key part of Insight's credit analysis and monitoring and complements its approach to responsible investment. As a matter of policy, all credit analysts regularly meet with issuers to discuss ESG related and non-ESG related issues. Given the size and depth of Insight's credit analyst resource, one of the key inputs into its ESG analysis is the direct information which Insight receives from companies via engagements that take place. Insight also has a dedicated stewardship programme, which includes its prioritised ESG engagement themes. Insight's prioritised themes for this year are climate change, water management, and diversity and inclusion. Insights uses a research-led approach to identify poor performers to initiate targeted engagement to encourage positive improvements across each of these themes.

With regards to its holdings in corporate bonds, in the year to 31 March 2024, Insight conducted 2,521 engagements with corporate bond issuers, including derivative counterparties, the majority of which incorporated discussions of environmental, social and governance (ESG) issues. Insight engagements are focused on creating positive change at the organisations it invests in.

Insight is a proactive member of a range of industry associations (UK sustainable investment and finance association, UN-supported PRI initiative) and participated in collaborative initiatives (UK stewardship code, climate action 100+) to support engagements on material issues.

Ninety One

Although Ninety One has reported no voting activities over the period, it believes engagement is an important investment tool to help preserve and grow the real value of the assets entrusted to Ninety One by its clients over the long-term. It also provides Ninety One with valuable ESG information, helps it understand management intentions and enables it to advocate for improved ESG practices and disclosure.

Ninety One recognises that it must prioritise its engagement activity and typically it will consider the size and duration of holdings, credit quality, degree of transparency and the materiality of ESG risks and opportunities.

3.2 Summary of voting behaviour

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

Manager name	Legal & General Investment Management
Fund name	All World Equity Index Fund
Total size of fund at end of the Scheme Year	£1,680.4m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£6.5m / 5.5%
Number of equity holdings at end of the Scheme Year	4,273
Number of meetings eligible to vote	6,557
Number of resolutions eligible to vote	64,058
% of resolutions voted	99.9%
Of the resolutions on which voted, % voted with management	79.3%
Of the resolutions on which voted, % voted against management	20.2%
Of the resolutions on which voted, % abstained from voting	0.5%
Of the meetings in which the manager voted, % with at least one vote against management	63.5%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11.4%

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's manager who holds listed equities, is set out below. Please note that this is not an exhaustive list. We have used our discretion to choose "most significant vote" resolutions from those provided by the manager, aiming to provide a broad range of example resolutions that the Scheme's investment manager typically votes on.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM “most significant” votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company name	Microsoft Corporation	Apple Inc	Amazon Inc	Exxon Mobil Corporation	JPMorgan Chase & Co
Date of vote	07/12/2023	28/02/2024	24/05/2023	31/05/2023	16/05/2023
Approximate size of holding at vote date (% of portfolio)	3.94%	3.68%	1.41%	0.65%	0.61%
Summary of the resolution	Elect Director Satya Nadella	Report on risks of omitting viewpoint and ideological diversity from equal opportunities policy	Report on median and adjusted gender/racial pay gaps	Report on asset retirement obligations under IEA Net Zero Emissions Scenario	Report on Climate Transition Plan describing efforts to align financing activities with emissions targets
How you voted	Against	Against	For	For	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM’s policy not to engage with its investee companies in the three weeks prior to an Annual General Meeting as its engagement is not limited to shareholder meeting topics.				
Rationale for the voting decision	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	LGIM believes the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts, and this does not appear to be a standard industry practice.	LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.	LGIM views this as a highly relevant and financially material matter, and by filing this proposal LGIM is seeking greater clarity into the potential costs Exxon may incur in the event of an accelerated energy transition.	LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set can further focus the board’s attention on the steps and timeframe involved, as well as providing assurance to stakeholders.
Outcome of the vote	For	Against	Against	Against	Against