Implementation Statement, covering the Scheme Year from 1 April 2024 to 31 March 2025 (the "Scheme Year")

The Trustee of the LEONI UK 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 and 2 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 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 made no changes to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was December 2023.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year.

The Trustee took steps to review the Scheme's existing managers and funds over the period.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These approaches are detailed in section 3.

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.

The Trustee has a set of stewardship priorities to focus monitoring and engagement with its investment managers on specific ESG factors, which are:

- Climate change;
- Human rights; and
- Business ethics.

These priorities have been selected as key market-wide risks and areas where the Trustee believes that good stewardship and engagement can improve long-term financial outcomes for the Scheme's members. The Trustee communicated these priorities to its managers in February 2023.

At the Trustee's annual investment meeting in January 2025, the Trustee questioned the attending managers (Alcentra and M&G) about their approaches to responsible investment and stewardship. The Trustee was satisfied with the responses they received.

In January 2025, the Trustee reviewed LCP's Responsible Investment Survey scores for the Scheme's existing managers and funds. These scores cover the manager's approach to ESG factors, net zero, voting and engagement. The Trustee was satisfied with the outcome and no further action was taken as a direct result of this review.

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.

3. Description of voting behaviour during the Scheme Year

The Scheme was not invested in any funds with listed equity holdings over the Scheme Year.

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.

Where available we have included commentary on the following funds provided by the Scheme's asset managers who don't hold listed equities but invest in assets that can sometimes have voting opportunities:

- Alcentra Strategic Credit II fund
- M&G Secured Property Income fund
- CTI Net Zero Transition Low Duration Credit Fund

3.1 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers which don't hold listed equities, but invest in assets that may have had voting opportunities during the Scheme Year:

Alcentra Strategic Credit II fund

"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, applying consistent policies and processes for voting across all instruments and geographies.

Alcentra generally will not be called upon to vote for proxies for its syndicated loan and private credit investments because of the nature of the instruments involved in the investment strategy (i.e., loans rather than securities). An exception is when Alcentra may hold 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 votes accordingly

Loan and bond investments generally do not confer creditors voting rights unlike for equity holders. Where we have minority equity interests in deals we frequently aren't asked to vote as the corporate documents are set-up so that the sponsor can pass any shareholder resolutions needed without our participation in any event. Also our rights are usually limited to certain minority protections. Where we own companies we exercise control by including language in the deal documentation requiring the board to seek investor consent for matters that we want 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.

The Fund may hold equity positions in stressed and distressed issuers. Our seasoned analysts are in close contact with these firms and closely monitor their respective situations. We will use our voting rights to push through our support all initiatives that benefit our end investors. Any such initiative will be in accordance with the spirit and the letter of the various ESG initiatives, such UN PRI or TCFD, to which we are signatories.

For example, on a select few investments, Alcentra has board representation, with positions including Chairman of the Board, Chairman of the Audit Committee and a Remuneration Committee Member. From these positions, Alcentra representatives then regularly engage with the credit analysts to provide them with the benefit of their experiences to help with transparency and commerciality across a number of ESG factors and best practices. We find this particularly beneficial when dealing with company management teams and board members."

M&G Secured Property Income fund ("SPIF")

"SPIF is a real estate fund, thus we own buildings rather than investments within companies. As such, we engage in a different way to shareholders/bondholders (i.e. we do not attend AGMs/Company meetings/have voting rights).

We do however frequently engage with the Fund's underlying tenants at asset level on a regular basis, typically with the Head of Property/CFO/Head of Sustainability. For example, SPIF engages with tenants, typically quarterly, on ESG initiatives such as net zero targets and energy efficiency of the underlying assets".

CTI Net Zero Transition Low Duration Credit Fund

"As the Net Zero Transition Low Duration Credit Fund is a credit fund, it does not hold voting stock but we do engage with companies held in the portfolio.

We engage companies with a view to improving their governance, managing their impacts on the environment and society, and enhancing their business performance. Engagement targets are achieved and recorded when a company responds to engagement by adopting new policies and strategies in line with our recommendations. We also engage on macroeconomic issues that could impact the investment climate of the funds, including emerging regulatory or industry standards on ESG issues. In all cases, we use our influence as an investor to deliver long-term value to our clients."