

Phoenix Medical Supplies Pension Scheme

Implementation Statement

Purpose of this statement

This Implementation Statement has been approved by the Trustees of the Phoenix Medical Supplies Pension Scheme ("the Scheme") to set out the following information over the year to 31 March 2023:

- How the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- A summary of the voting and engagement activity undertaken by the Scheme's investment managers ("the managers") on behalf of the Trustees over the year, including information regarding the most significant votes.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at the time of preparing this Implementation Statement describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. The SIP was last reviewed in April 2023 and has been made available online here:

<https://www.phoenixmedical.co.uk/fileadmin/media/uk/downloads/2023-Phoenix-Pension-Scheme-Statement-Investment-Principles.pdf>

At this time, the Trustees have not set stewardship priorities or themes for the Scheme but are considering the extent that they wish to do so in line with other Scheme risks.

How voting and engagement policies have been followed over the year

Based on the information provided by the Scheme's managers, the Trustees believe that the Scheme's policies on voting and engagement have been met in the following ways:

- At the Scheme year-end, the managers appointed to manage assets on behalf of the Scheme were Legal & General Investment Management ("LGIM") and Newton Investment Management ("Newton"). The Trustees consider the performance of the Scheme's funds and any significant developments at least twice a year.
- The Scheme invests entirely in pooled funds and, as such, the Trustees delegate responsibility for carrying out voting and engagement activities to the managers. Investment rights (including voting rights) have been exercised by the managers in line with the managers' general policies on corporate governance. The Trustees also expect the managers to have engaged with the companies in which they invest in relation to environmental, social and governance ("ESG") matters.
- The Trustees appointed the Scheme's diversified growth fund ("DGF") manager (Newton) back in 2020 and ESG considerations were considered as part of the manager selection exercise, alongside all other material factors. The fund managed by Newton (the BNY Mellon Sustainable Real Return Fund) has a specific focus on avoiding investments with poor ESG scores (as rated by the manager's Responsible Investment Team). The Trustees made the decision to disinvest from their other DGF holding (the

Columbia Threadneedle Dynamic Real Return Fund) over the year, following the decision to de-risk the Scheme's investment strategy.

- LGIM manage the Scheme's Liability Driven Investment ("LDI") portfolio, however the Trustees are of the view that there is less scope for the consideration of ESG issues to improve risk-adjusted returns within LDI due to of the nature of the instruments used within the funds. The fund used as the collateral pool to the LDI portfolio (the LGIM Absolute Return Bond Fund) is considered to have acceptable ESG practices by the Trustees.
- The Scheme is also invested in two index-tracking global equity funds managed by LGIM. Whilst these funds do not have a specific ESG focus, the Trustees considered the ESG practices of these funds to be above an acceptable level during the selection process.
- Annually, the Trustees receive and review information on the voting behaviour and engagement activities of the managers from both the managers themselves and the Scheme's Investment Consultant. The Trustees review this information to ensure alignment with the Scheme's policies (as set out in the Scheme's SIP). This exercise was undertaken as part of preparation of the Implementation Statement in respect to the managers' activities over the year to March 2023.

Summary

Based on the information contained in this Implementation Statement, the Trustees are comfortable the actions of the managers are in alignment with the Scheme's stewardship policies. The Trustees are supportive of the key voting action taken by the applicable managers over the period to encourage positive governance changes in the companies in which they hold shares.

Approved by the Trustees of the Phoenix Medical Supplies Pension Scheme

October 2023

Voting data

This section provides a summary of the voting activity undertaken by the relevant managers within the Scheme's return-seeking portfolio on behalf of the Trustees over the year to 31 March 2023. The LGIM Absolute Return Bond Fund and LGIM LDI portfolio are expected to have no voting attached to the underlying assets and therefore these funds are not included in the tables below. Additionally, the Columbia Threadneedle Dynamic Real Return Fund has been excluded from the tables below due to the fact that the Scheme completed a full disinvestment from the Fund over the reporting period.

The voting data shown for LGIM has been taken from the un-hedged version of the All World Equity Index Fund. However, as the hedged and un-hedged versions invest in the same underlying holdings, the voting data will be the same for both funds.

Manager	LGIM	Newton
Fund name	All World Equity Index Fund*	BNY Mellon Sustainable Real Return Fund
Structure	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour	
No. of eligible meetings	6,728	122
No. of eligible votes	68,320	1,805
% of resolutions voted	>99%	98%
% of resolutions abstained**	1%	0%
% of resolutions voted with management**	79%	90%
% of resolutions voted against management**	20%	10%
% of resolutions voted against proxy voter recommendation	10%	5%

*The data shown applies to both the hedged and the unhedged share classes.

**As a percentage of the resolutions on which the manager voted.

Source: information provided by the managers.

LGIM's Investment Stewardship team uses the Institutional Shareholder Services' "ProxyExchange" electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.

Newton utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, alongside providing research. Its voting recommendations of are not routinely followed; it is only in the event that Newton recognise a potential material conflict of interest that the recommendation of their external voting service provider will be applied.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities or themes. At this time, the Trustees have not set stewardship priorities or themes for the Scheme, but are considering the extent that they wish to do so in line with other Scheme risks.

For this Implementation Statement, the Trustees have asked the managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their managers over the period, as the Trustees are yet to determine whether they will develop a specific voting policy for the Scheme. Going forwards, the Trustees may consider the most significant votes in conjunction with any agreed stewardship priorities or themes.

LGIM and Newton have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities or themes, and in the interest of concise reporting, the Trustees have opted to show three votes from each manager. To represent the most significant votes, the votes of the largest holdings from the selection of significant votes provided are shown below.

LGIM, All World Equity Index Fund (both hedged and non-hedged versions)

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Alphabet Inc.	Meta Platforms, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.71%	1.11%	0.73%
Summary of the resolution	Elect director Daniel P. Huttenlocher	Report on physical risks of climate change	Require an independent board chair
How the manager voted	Against	For	For
Rationale for the voting decision	A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which LGIM view as accountable for human capital management failings	A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change	A vote in favour was applied as LGIM expects companies to establish the role of independent board chair
Outcome of the vote	93.3% of shareholders supported the resolution	17.7% of shareholders supported the resolution	16.7% of shareholders supported the resolution
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company (and market-level) progress		
Criteria on which the vote is considered “significant”	LGIM pre-declared its vote intention for this resolution	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote	LGIM considers this vote to be significant as it is in application of an escalation of their voting policy on the topic of the combination of the board chair and chief executive officer

Source: LGIM.

Newton, BNY Mellon Sustainable Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Greencoat UK Wind PLC	LONGi Green Energy Technology	Chubb Limited
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.57%	0.71%	0.86%
Summary of the resolution	Re-elect Shonaid Jemmett-Page as director	Approve the draft and summary of the stock option plan and the performance share incentive plan	Report on efforts to reduce greenhouse gas ("GHG") emissions associated with underwriting, insuring and investing
How the manager voted	Against	Against	For
Rationale for the voting decision	Newton voted against the re-election of the chairperson of the board as they had raised concerns over the past share issuance undertaken by the trust	Newton voted against the stock option plan as directors eligible to receive performance shares under the scheme were involved in its administration	Newton supported the proposal as Chubb does not disclose its footprint related to financed emissions and this report could enhance scope 3 disclosures
Outcome of the vote	15% of votes were against the resolution	<i>Data not available*</i>	67% of votes were for the resolution
Implications of the outcome	Newton felt the vote outcome demonstrated that a majority of shareholders were not concerned with the potential valuation dilution resulting from the share issuance	Newton will continue to register their concern via voting action and may prioritise the matter for future engagement	Newton felt the majority support for the resolution emphasises the growing investor concern around climate change
Criteria on which the vote is considered "significant"	The vote was deemed significant by Newton given their view that the proposal failed to include industry-accepted best practice in terms of pricing of placed shares	Newton view pay as an important tool in the hands of the board to correctly motivate management and they consider voicing concerns around target stringency as part of their shareholder duty	The vote was deemed significant owing to the majority support received for the resolution

Source: Newton.

* Only high-level information was provided in relation to the outcome of this meeting. Not all markets require companies to publish the outcome of the vote, LONGi Green Energy Technology is a Chinese company and hence it is not required to publish this information.

Engagement

Fund-level engagement summary

The managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each of the Scheme's managers during the year to 31 March 2023 for the relevant funds.

As the Trustees are of the view that there is little scope for the consideration of ESG issues (including engagement opportunities) within LDI portfolios, due to the nature of the underlying holdings, the Scheme's LDI holdings are not considered in the tables below.

Manager	LGIM	LGIM	Newton
Fund name	All World Equity Index Fund*	Absolute Return Bond Fund	BNY Mellon Sustainable Real Return Fund
Number of entities engaged on behalf of the holdings in this fund in the year	664	133	24
Number of engagements undertaken at a firm level in the year	1,088	1,088	224

* The data shown applies to both the hedged and the unhedged share classes.

**LGIM provide the total number of companies engaged with on a quarterly basis. As such, it is not possible to discern whether a single company has been counted more than once within the above figures (e.g. this would be the case if the manager engaged with the same company in more than one quarter).

Source: information provided by the managers.

Examples of engagement activity undertaken over the year to 31 March 2023

The table below contains an example engagement activity for each manager over the year to 31 March 2023.

Manager	Engagement example
LGIM	<p>This is a firm-level engagement as LGIM do not provide details of individual engagements at a fund-level.</p> <p>Companies: Novo Nordisk and Eli Lilly</p> <p>LGIM spoke directly to pharmaceutical companies – specifically Novo Nordisk and Eli Lilly – to ensure that their products reached their intended consumers and did not have a negative impact on society. They were concerned about the potential for harm to vulnerable people, as well as the very real possibility of litigation, and so entered discussions with an aim of prevention. Despite initial replies stating both companies did everything 'by the book', LGIM persisted and felt they managed to impress upon the companies the real threats they and their customers were under.</p> <p>LGIM asked the companies to consider making the following changes:</p> <ul style="list-style-type: none"> • Ensure information about the purpose of the drug and its risks are included as extensively as possible on labelling.

Manager	Engagement example
	<ul style="list-style-type: none"> • Speak to eating disorder charities to enhance awareness and understanding of these drugs and how they are (or may) be misused. • In the US, ensure that advertising for these drugs includes appropriate information about their purpose and risks. • Set a clear programme for sales and collecting monitoring data on prescriptions. • Publish clear information about the purpose of the weight loss drugs on their websites. <p>LGIM will continue to engage with both pharmaceutical companies on this topic and to monitor the actions they take. They will also remain aware of this issue more broadly within the pharmaceuticals sector.</p>

This is a firm-level engagement as Newton do not provide details of individual engagements at a fund-level.

Company: Norfolk Southern

Newton sought to understand current disclosures around workforce turnover and safety, alongside discussing board diversity.

Newton met management to receive an ESG update. It was noted that employee retention is a challenge, with the company trying to find a balance for the craft workforce that now shows an increased preference for working from home and predictability of schedules. Newton sought to understand current disclosures around workforce turnover and safety. In addition, Newton offered their views on best practice around enhancing board diversity and encouraged the board to work to a faster timeline.

Newton

The company stated that despite offering competitive wages and benefits, they have found it challenging to balance employees' emerging preference for predictability in their schedules and the convenience of working from home with the needs of business, as craft employees may need to be physically available to serve customers or be on call to provide support. One potential area for change could be a reduction of crew size from two persons to one; the company felt this would provide workers with more stability in their schedules and allow for more positions to be based locally. The company does not think such a reduction in crew size would impact safety. A board safety committee was recently established which the company felt has enhanced the reportability and oversight of safety issues.

Board gender diversity is lower than 30% and the company is looking at planned retirements to improve levels. The company confirmed this is a priority for the nomination committee, but it may only be improved over a two-to-three-year timeline.

Source: information provided by the managers.