

Implementation Statement

Plan year end 31 March 2021

Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustee of the Idemia UK Pension Plan (“the Plan”) and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 31 March 2021.

How voting and engagement policies have been followed

The Trustee considers its voting and engagement policies have been met in the following ways:

- At the year-end, the Plan’s investment managers were: Legal & General Investment Management (LGIM), M&G Investments (M&G) and MFS Investments (MFS). The Trustee regularly considers the performance of the funds held with each investment manager and any significant developments that arise.
- The Trustee receives regular information from the investment managers on how voting and engagement with investee companies has been undertaken on the Plan’s behalf.
- The Plan’s invested assets are held in pooled funds. The Trustee delegates responsibility for carrying out voting and engagement activities to the Plan’s investment managers.
- The Trustee is comfortable that the actions of the Plan’s investment managers are in alignment with its ESG and Stewardship policies.

The table below provides an indication of the investment managers’ overall voting and engagement.

Voting Data

A summary of voting data collated for the Plan is given below for the year to 31 March 2021.

As LGIM is predominantly an index-tracking manager that invests in broad markets, LGIM engages with companies at an overall level, rather than on a fund-by-fund basis. LGIM's focus therefore tends to be on engaging to improve market performance as a whole. As a manager that picks a more concentrated number of stocks, MFS's engagement will be specific to the needs of their specific portfolios.

Manager	LGIM	MFS
Fund name	All World Equity Index	Global Equity Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	
Number of resolutions the manager was eligible to vote at over the year	70,672	1,466
What % of resolutions did you vote on for which you are eligible?	99.9%	100.0%
What % of resolutions, for which you were eligible to vote, did you abstain from?	0.8%	1.2%
Of the resolutions, on which you voted, what % did you vote with management?	83.3%	93.6%
Of the resolutions, on which you voted, what % did you vote against management?	16.0%	6.4%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor (if applicable)?	0.2%	Data not provided (please see the below for an explanation of the use of proxy voting services)

Source: LGIM and MFS

Legal & General and MFS Investments employ the use of Institutional Shareholder Services (ISS) as a proxy voting adviser. Proxy voting advisers offer research, advice and voting recommendations in relation to institutional shareholders.

Legal & General and MFS Investments have both stated that they only employ these proxy voting advisers for research services, and therefore do not keep a record of when they vote against the advice of ISS because they maintain their own custom voting policy.

There are no voting rights attached to the other assets held by the Plan, which include gilts, bonds and property therefore no voting information is shown above for these assets.

Significant votes

The Trustee has delegated the assessment of what constitutes a “significant vote” to LGIM and MFS.

In determining significant votes, LGIM’s investment stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”). This guidance dictates significant votes include, but are not limited to:

- A 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 Stakeholder roundtable event, or where LGIM notes there has been a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- A vote linked to an LGIM engagement campaign.

MFS Investments have not confirmed the criteria they utilise to determine significant votes, however the information provided by MFS has been made available in the same format of that recommended by the PLSA.

A summary of the key voting action the managers have provided is set out below.

Manager/fund	Key voting action over the year
LGIM All World Equity Index	<p>a) Qantas Airways Ltd</p> <p>LGIM’s investment stewardship team voted against the proposals to approve participation of Alan Joyce in the Long-Term Bonus Incentive Plan but voted to approve the remuneration report. This reflected LGIM’s view on remuneration policies reflecting the shareholder experience during the COVID-19 pandemic, particularly in the struggling airline sector. Approval of the remunerations report was the result of executive salary cuts and short term incentive cancellations. LGIM voted against the Long-Term Bonus Incentive Plans as a result of concerns surrounding the size of the grant despite the share price at the time.</p>
	<p>b) Whitehaven Coal</p> <p>LGIM’s investment stewardship team voted for the proposals to approve capital protection. This involves a company report on the potential wind down of the coal operations with scope to return increasing amounts of capital to the shareholders. LGIM has advocated for a managed decline of fossil fuel companies wherein capital will be returned to shareholders instead of being spent on risky diversification projects. Although this proposal did not pass, LGIM continues to monitor the company and have excluded it from their Future World Funds.</p>
	<p>c) International Consolidated Airlines Group</p> <p>LGIM’s investment stewardship team voted against the resolution to ‘Approve Remuneration Report’, demonstrating a commitment to monitoring investee companies’ response to the COVID crisis. Concerns were raised regarding executive bonus payments for the financial year to 31 December 2019 which was submitted for approval at this shareholder meeting. Despite a 30% cut to the workforce, withdrawal of the dividend for 2020 and a shareholder approved rights issue of £2.75 billion, executive bonus payments were proposed at 80% to 90% of their salary and 100% of the salary for the departing CEO. LGIM expected the remuneration committee to exercise greater discretion in light of the financial situation of the company on this matter to ensure it reflected the stakeholder experience.</p>

d) Lagardère

A proposal was taken by a shareholder to the Lagardère AGM to remove all incumbent directors and appoint 8 proposed new directors to the supervisory board. This was due to manager partners having “too tight a grip” on the company. When this type of proposal is taken to an AGM LGIM engages with both the shareholder who initiated the proposal and the company to understand both perspectives. LGIM voted in favour of 5/8 of the shareholders’ proposed new directors. LGIM notes this as a significant vote due to the significant media and public interest of this issue.

e) Pearson

LGIM’s investment stewardship team voted against the resolution to ‘Amend Remuneration Report’ at the Extraordinary General Meeting. Shareholders supported the appointment of a new CEO, however the proposal by Pearson required approval for a co-investment award in order for the proposed CEO to take up the role. This is a highly unusual action for a UK company. LGIM discussed the board’s succession plans with the chair of the board, relaying concerns over performance conditions and the financial underpinning of the new CEO’s award. No action was taken by Pearson so LGIM voted against the amendment to the remuneration policy.

f) Barclays

At the end of March, Barclays PLC published its ESG report and issued a statement outlining the target of aligning the entire business to the goals of the Paris Agreement. LGIM endorsed this proposal at the May 2020 Annual General Meeting (AGM).

g) The Procter and Gamble Company (P&G)

LGIM’s investment stewardship team voted in favour of the resolution to report on efforts to eliminate deforestation. Deforestation is a key priority issue for LGIM as it is a key driver of climate change. P&G uses both forest pulp and palm oil as raw materials and two of their Tier 1 suppliers were linked to illegal deforestation. The company also does not subscribe to the use of Forestry Stewardship Council (FSC) certified wood pulp, which offers guidance on land tenure, workers’, communities and indigenous people’s rights. LGIM engaged extensively with P&G to ascertain commitment to and set targets to ensure their business does not impact deforestation. LGIM has asked P&G to respond to the CDP Forests disclosure and to engage on the topic to ensure more of their pulp and wood is from FSC certified sources.

**MFS Global
Equity Fund**

a) Aptiv PLC

MFS Investments voted against the proposal to elect director Paul M. Meister due to excessive service on public boards. MFS maintain a policy to vote against a board member who serves on more than four company boards.

b) Johnson & Johnson

MFS voted against management on the ‘Report on Governance Measures Implemented Related to Opioids’ as they believe additional information is required to allow shareholders to better gauge the associated risks.

c) Marriott International, Inc

MFS voted against management on the preparation of employment diversity report as they believe additional diversity related disclosures are required to allow shareholders to assess the effectiveness of the company’s diversity policies.

d) United Parcel Service, Inc

MFS voted in favour of the proposal to report on climate change as they feel that shareholders would benefit from details on the company's plans to manage its climate related risks and how it plans to align itself with the Paris agreement goals.

e) State Street Corp

MFS voted against the advisory vote to ratify named executive officers' compensation due to concerns due to the relatively high payout despite strong underperformance over the long term. The discretionary nature of the short term incentive plan and the lack of predetermined financial metrics were also of concern.

f) Visa Inc.

MFS voted to support the proposal requesting the right for shareholders to act by written consent as this aligns with the MFS voting policy.

g) The Walt Disney Company

MFS voted against the advisory vote to ratify named Executive Officers' Compensation due to concerns around what they believe to be excessive compensation awarded to the former CEO despite changes in the roles and responsibilities associated with the role.

There are no voting rights attached to the other assets held by the Plan, which include gilts and bonds therefore no significant voting information is shown above for these assets.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant managers.

	LGIM	MFS	M&G
Fund name(s)	All World Equity Index & 2068 Index Linked Gilt Fund	Global Equity Fund	UK Property Fund and Long Dated Corporate Bond Fund
Number of engagements undertaken at a firm level in the year	Engaged with 874 companies <i>(974 individual engagements within these companies)</i>	Engaged with 116 companies <i>(34 on behalf of the holdings in the Global Equity Fund)</i>	Data not provided/not relevant

Source: Legal & General Investment Management, MFS Investments and M&G Investments

Summary

Based on the information received, the Trustee believes that the investment managers have acted in accordance with the Plan’s stewardship policies.

Prepared by the Trustee of the Idemia UK Pension Plan

October 2021