

Implementation Statement

The IDEMIA UK Pension Plan

Introduction

This statement has been prepared by the Trustees of The IDEMIA UK Pension Plan ('the Plan'), to demonstrate how the Trustees have acted on certain policies within their Statement of Investment Principles ('SIP'). This document is known as the Plan's Implementation Statement.

Each year, the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Plan year. This Implementation Statement covers the Plan year from 1 April 2019 to 31 March 2020.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ('DB') investments held by the Plan. Note that this excludes any Additional Voluntary Contribution investments held by the Plan.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP Policies

This implementation statement should be read in conjunction with the Plan's SIP covering the year under review, which gives details of the Plan's investment policies along with details of the Plan's governance structure and objectives. The Plan's SIP was updated in 2019 to include policies on:

- How 'financially material considerations' including Environmental, Social and Governance ("ESG") factors are taken into account when taking investment decisions for the Plan.
- The extent to which non-financial matters are taken into account in the investment decision making process.
- Stewardship and voting – including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance and ESG).

While the policies were not in place for the full Plan year, this Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Plan year end and the extent to which the Trustees believe the new policies have been followed.

The Plan invests in pooled funds managed by Massachusetts Financial Services ("MFS"), M&G Investment Management and Legal & General Investment Management ("LGIM") (together, the "Investment Managers").

In the SIP in place from 2019, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to their investments:

- The Investment Managers are responsible for managing the Plan's investments in accordance with the management agreements in place with the Trustees. The Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Managers.
- The Trustees acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Plan's investments and the likelihood that the Plan's objectives will be achieved.

Description of voting behaviour

The Plan is invested in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Plan sits with the Investment Managers. The Trustees have enforced the policies in place by monitoring the engagement and voting activities of the Plan's Investment Managers to ensure they are aligned with the Trustees' policies. The Trustees' voting behaviour over the Plan year is summarised below.

Over the year to 31 March 2020 the Plan held the following pooled fund investments:

- a global equity fund managed by MFS;
- a property fund and bond fund managed by M&G; and
- passive equity and index-linked gilt funds managed by LGIM.

The Plan therefore had company investments which carried voting rights within the equity fund investments with LGIM and MFS.

LGIM manages over £1 trillion in assets and using their resulting influence, in 2019 it focussed its votes on climate change, income equality, diversity, and ESG integration.

The following table shows LGIM's voting summary covering the Plan's investment in the LGIM All-World Equity Fund. The Trustees requested the voting information from LGIM for the 12 month period to 31 March 2020, which is shown below.

LGIM All-World Equity Fund	1 April – 31 March 2020
Number of meetings LGIM was eligible to vote at over the year to 31/3/2020	3,712
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2020	41,452
Of the eligible resolutions, percentage that LGIM voted on.	97.4%
Of the resolutions voted, percentage that LGIM voted with management.	82.8%
Of the resolutions voted, percentage that LGIM voted against management.	16.7%
Of the resolutions voted, percentage where LGIM abstained .	0.5%
Percentage of eligible meetings where LGIM voted at least once against management.	59.6%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	9.4%

The table below shows the voting statistics relating to the MFS Global Equity Fund, which the Trustees held investments in throughout the Plan year. Figures were supplied relating to the period 1 January 2019 to 31 March 2020.

MFS Global Equity Fund	1 January 2019 – 31 March 2020
Number of meetings MFS was eligible to vote at over the year to 31/3/2020	92
Number of resolutions MFS was eligible to vote on over the year to 31/3/2020	1,319
Of the resolutions voted, percentage that MFS voted with management.	94.2%
Of the resolutions voted, percentage that MFS voted against management.	5.7%
Of the resolutions voted, percentage where MFS abstained .	0.1%

Regarding the Plan’s property investment managed by M&G, this fund does not invest in any Real Estate Investment Trusts (REITs) and therefore has no voting rights attached.

Proxy voting

The Trustees did not employ a proxy-voting service during the year under review. The Investment Managers vote by proxy through the Institutional Shareholder Service’s (‘ISS’) electronic voting platform as given the scale of their holdings, the manager cannot be present at shareholder meetings to cast votes. It should be noted that all voting decisions are made using each Investment Manager’s individual market specific voting policies, with own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service (‘IVIS’).

How engagement policies have been followed

The Trustees review and monitor the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Managers has provided the Trustees with comfort that their voting and engagement policies have been followed during the year. Details of specific voting and engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustees?	Comments
Performance of debt or equity issuer	-	LGIM and MFS’s voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	The Trustees believe that the board’s duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustees also believe that the appropriate governance structures need to be in place. These include policies covering independence, diversity and remuneration. LGIM and MFS have clear voting policies covering each of these topics and have acted on them throughout the Plan year on behalf of the Trustees.

Risks	✓	<p>As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and in the UK, votes against the audit committee chair's appointment if this is not the case.</p> <p>As an example of reducing risk, MFS expects boards to have at least a simple majority of directors who are independent of management and whose key committees (e.g., compensation, nominating, and audit committees) consist entirely of independent directors. They will normally vote against nominee directors who are not independent.</p>
Social and Environmental impact	✓	<p>LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change.</p> <p>Also, if there are no women on the board, LGIM will vote against the chair and / or the chair of the nomination committee. From 2020, LGIM has started voting against large Japanese companies in the TOPIX 100 index that do not have at least one woman on their board, as one in five large Japanese companies in the index still had an all-male board.</p> <p>MFS believes that a company's ESG practices may have an impact on the company's long-term economic financial performance and will generally support proposals relating to ESG issues that MFS believes are in the best long-term economic interest of the company's shareholders. MFS generally supports proposals that request disclosure on the impact of environmental issues on the company's operations, sales, and capital investments.</p> <p>MFS will also generally vote against the chair of the nominating and governance committee or equivalent position at any U.S., Canadian or European company whose board is comprised of less than 15% female directors.</p>
Corporate Governance	✓	<p>LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair.</p> <p>MFS have numerous policies on how they influence corporate governance. For example, MFS will not support a nominee to a board if they can determine that he or she attended less than 75% of the board and/or relevant committee meetings in the previous year without a valid reason. Another example stems from the MFS's belief that the size of the board can have an effect on the board's ability to function efficiently. They will typically vote against the chair of the nominating and governance committee in instances where the size of the board is greater than sixteen members.</p>

LGIM has provided examples of what it believes to be the most significant votes cast on the trustees' behalf. One in May 2019 was that LGIM and other major shareholders put forward a proposal calling on the energy firm BP to explain how its strategy was consistent with the Paris Agreement on climate change. LGIM worked with the board of BP to secure its support for the motion. This was the first shareholder resolution put forward by LGIM and it received 99.1% support at the AGM.

While MFS provided detailed explanations of their voting behaviour, they did not provide examples of what it believes to be 'most significant' votes. However, MFS did provide "representative engagement activity". For example MFS met with the CEO of Nestlé to discuss sustainable packaging, among other topics. This meeting highlighted the

proactive approach taken by the company to mitigate plastic pollution through more sustainable packaging. However, MFS noted that Nestlé would be unlikely to pass the increased packaging costs on to consumers, so they would have to offset them with cost savings elsewhere in the organization.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Plan's fixed income investments with LGIM. As well as exercising voting rights, in 2019 LGIM undertook over 1,100 direct engagements with companies they invest in. 34% of these engagements were on governance topics, 25% on social topics and 21% on environmental. Further information on the number and type of engagements over the Plan year and related to the Plan's specific mandates is not available from LGIM.

MFS provides details of which companies it has engaged with and under what topics, including corporate governance, environmental / social, and executive remuneration. These reports also include detailed explanation of the meetings held. The Trustees have reviewed these engagements and believe that MFS is acting to influence investee companies in line with their policy, which in turn is in line with the Trustees' policy on ESG and engagement.

Extent to which trustees' policies have been followed during the year

Having reviewed the actions taken by LGIM and MFS on behalf of the Trustees, the Trustees believe that their policies on voting rights and engagement have been implemented appropriately over the year and in line with their views. The Trustees will continue to monitor the actions taken on their behalf each year.

If the Investment Managers deviate substantially from the Trustees' stated policies, the Trustees will initially discuss this with the relevant manager. If in the opinion of the Trustees the difference between the policies and the investment manager's actions is material, the Trustees will consider terminating the mandate.