

LPA Industries Limited Section of the Deloitte Pensions Master Plan

Implementation Statement

For the year ended 31 March 2022

Introduction

This Implementation Statement (the “Statement”) has been prepared by the Trustee (the “Trustee”) of the LPA Industries Limited Section of the Deloitte Pensions Master Plan (the “Section”) to demonstrate how the Trustee has acted on certain policies within the Statement of Investment Principles (“SIP”).

Each year, the Trustee must produce an Implementation Statement that demonstrates how they have followed certain policies within the Section’s SIP over the year. This Implementation Statement covers the Section year from 1 April 2021 to 31 March 2022.

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 investments held by the Section.

Trustees of 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 (where applicable) a description of their voting behaviour, the most significant votes cast and any use of proxy voting on their behalf over the year.

SIP policies

This Statement should be read in conjunction with the Section’s SIP covering the year under review, which provides details of the Section’s investment policies along with details of the Section’s governance structure and objectives.

Prior to the Section year, on 8 March 2021, the Section received a transfer of the assets and liabilities of the legacy pension scheme, LPA Industries Limited Pension Scheme. Since the Section held no assets prior to this transfer, a Statement of Investment Principles was drafted and signed off by the Trustee in April 2021 to reflect the investment strategy of the transferred assets.

The Section’s SIP over the year to 31 March 2022 resultantly included policies on:

- How “financially material considerations” including environmental, social and governance (“ESG”) considerations, are taken into account when making investment decisions for the Section.
- The extent to which non-financial matters are taken into account in the investment decision-making process.
- Stewardship and voting policy, including details on monitoring and engaging with the investee companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance, ESG, capital structure and the management of actual or potential conflicts of interest).
- A policy on monitoring the Section’s asset managers, particularly concerning financial arrangements and ESG factors.
- A policy covering the duration of arrangements with the Section’s investment manager.

The Trustee notes that during the Section year, an investment strategy review was completed during July 2021 with a new investment strategy agreed by the Trustee in November 2021. The investment strategy was implemented in December 2021 and January 2022, including disinvesting from the LGIM UK Equity Index Fund, LGIM World (ex UK) Equity Index Fund, LGIM Over 15 Year Index-Linked Gilt Index Fund and Newton Real Return Fund and investing the proceeds into the LGIM All World Equity Index Fund (GBP Hedged), LGIM Maturing Buy and Maintain Fund Range, LGIM All Stocks Index Linked Gilts Fund and LGIM 5-15 Year Index Linked Gilts Index Fund. The Section’s SIP was consequently updated in April 2022 to reflect these investment strategy changes.

This Statement reviews the voting and engagement activities covering the 12-month period to 31 March 2022 and the extent to which the Trustee believes the policies within the SIP have been followed.

The Section was invested in pooled funds managed by Legal & General Investment Management (“LGIM”) and Newton Investment Management Ltd (collectively the “Investment Managers”) over the year under review to 31 March 2022.

It is therefore the Investment Managers who are responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments.

The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Section's interests in the investments.

The Trustee expects the Investment Managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity & other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks & corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

Description of Equity Voting Behaviour

The Section invests in pooled funds, which means that the responsibility for exercising the voting rights of the shares held by the Section sits with the Investment Managers. The Section's voting behaviour over the year is summarised below.

The pooled fund investments held by the Section that carried voting rights during the Section year were:

- The LGIM UK Equity Index Fund over the period from 1 April 2021 to 16 December 2021;
- The LGIM World (ex UK) Equity Index Fund from 1 April 2021 to 16 December 2021;
- The Newton Real Return Fund over the period from 1 April 2021 to 20 January 2022; and
- The LGIM All World Equity Index Fund (GBP Hedged) over the period from 16 December 2021 to 31 March 2022;

The table below shows LGIM's voting summary covering the Section's investment in the LGIM UK Equity Index Fund over the year until 31 December 2021. LGIM is developing its reporting but is currently only able to provide voting statistics for full 12-month periods to standard quarter-ends, rather than the actual periods invested. Therefore, we have included voting information covering the most relevant 12-month period from 1 January 2021 to 31 December 2021, noting that the Section only held investment in the LGIM UK Equity Index Fund from the 1 April 2021 until 16 December 2021.

LGIM UK Equity Index Fund	1 January 2020 – 31 December 2021
Number of meetings LGIM was eligible to vote at over the year	707
Number of resolutions LGIM was eligible to vote on over the year	9,923
Of the eligible resolutions, percentage that LGIM voted on.	100.0%
Of the resolutions voted, percentage that LGIM voted with management.	92.8%
Of the resolutions voted, percentage that LGIM voted against management.	7.2%
Of the resolutions voted, percentage where LGIM abstained .	<0.1%
Percentage of eligible meetings where LGIM voted at least once against management.	45.7%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	5.5%

The table below shows LGIM's voting summary covering the Section's investment in the LGIM World (ex UK) Equity Index Fund over the year until 31 December 2021. We have included voting information covering the most relevant 12-month period from 1 January 2021 to 31 December 2021, noting that the Section only held an investment in the World (ex UK) Equity Index Fund from the 1 April 2021 until 16 December 2021.

LGIM World (ex UK) Equity Index Fund	1 January 2020 – 31 December 2021
Number of meetings LGIM was eligible to vote at over the year	2,493
Number of resolutions LGIM was eligible to vote on over the year	29,156

Of the eligible resolutions, percentage that LGIM voted on.	99.8%
Of the resolutions voted, percentage that LGIM voted with management.	78.9%
Of the resolutions voted, percentage that LGIM voted against management.	20.2%
Of the resolutions voted, percentage where LGIM abstained .	0.9%
Percentage of eligible meetings where LGIM voted at least once against management.	73.8%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	14.2%

The table below shows Newton's voting summary covering the Section's investment in the Newton Real Return Fund over the year until 31 March 2022. We note that Newton is only able to provide voting statistics for full 12-month periods to standard quarter-ends, rather than the actual periods invested. Therefore, we have included voting information covering the most relevant 12-month period from 1 April 2021 to 31 March 2022, noting that the Section only held investment in the Real Return Fund from the 1 April 2021 until 20 January 2022.

Newton Real Return Fund	1 April 2021 – 31 March 2022
Number of meetings Newton was eligible to vote at over the year	98
Number of resolutions Newton was eligible to vote on over the year	1,476
Of the eligible resolutions, percentage that Newton voted on.	99.2%
Of the resolutions voted, percentage that Newton voted with management.	83.9%
Of the resolutions voted, percentage that Newton voted against management.	16.1%
Of the resolutions voted, percentage where Newton abstained .	0.0%
Percentage of eligible meetings where Newton voted at least once against management.	47.0%
Percentage of voted resolutions where Newton voted contrary to the recommendation of their proxy adviser.	11.7%

The table below shows LGIM's voting summary covering the Section's investment in the LGIM All World Equity Index Fund – GBP Currency Hedged Fund over the year to 31 March 2022. It should be noted that the Section invested in the Fund on 16 December 2021. Therefore, we have included voting information covering the most relevant 12-month period from 1 April 2021 to 31 March 2022, noting that the Section did not hold the investments from 1 April 2021 to 15 December 2021.

LGIM All World Equity Index Fund – GBP Currency Hedged	1 April 2021 – 31 March 2022
Number of meetings LGIM was eligible to vote at over the year	6,519
Number of resolutions LGIM was eligible to vote on over the year	64,607
Of the eligible resolutions, percentage that LGIM voted on.	99.8%
Of the resolutions voted, percentage that LGIM voted with management.	80.7%
Of the resolutions voted, percentage that LGIM voted against management.	18.1%
Of the resolutions voted, percentage where LGIM abstained .	1.3%
Percentage of eligible meetings where LGIM voted at least once against management.	60.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	9.6%

Proxy Voting

The Trustee did not employ a proxy-voting service during the year to 31 March 2022.

LGIM votes by proxy as given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ('IVIS').

Newton also votes by proxy through the ISS electronic voting platform. Newton uses the research reports on individual company meetings provided by ISS alongside considering a company's individual circumstances, with Newton ultimately making the final voting decision. Newton also uses its Responsible Investment team to help review decisions, which in the case where a meeting resolution covers a contentious issue, the Head of Responsible Investment will take responsibility for the decision-making process. In the event there is a potential material conflict of interest, Newton will follow the voting recommendations of ISS.

How Voting and Engagement Policies Have Been Followed

The Trustee intends to review a summary of the voting and engagement activity taken on their behalf on a regular basis. The information published by LGIM and Newton on their voting policies has provided the Trustee with comfort that the Section's voting and engagement policies have been followed during the year to 31 March 2021.

As set out in the SIP, the Trustee expects the Investment Managers to engage with investee companies on aspects such as performance, strategy, risks, corporate governance, management of actual or potential conflicts of interest, capital structure & social and environmental issues concerning the Trustee's investments.

Details of specific voting and engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustee?	Comments
Performance of debt or equity issuer	✓	LGIM's and Newton'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	✓	<p>Newton and LGIM believe that board independence, diversity and remuneration can have a financially material impact on the assets it invests within, with the Board ultimately responsible for the strategy of any company that the Section is invested in or held as a counterparty. Newton and LGIM have clear voting policies covering each of these topics and have acted on them throughout the Section year on behalf of the Trustee.</p> <p>This year, LGIM voted against the election of a male chairman due to a lack of gender diversity at a number of companies, including Atlas Copco AB, NVIDIA Corporation, and The Boeing Company.</p> <p>Newton engaged with several companies on the composition of their board, including Prudential, Unilever and Greencoat UK Wind over the Section year on topics such as independence, succession planning and skills assessment to understand how these will impact future strategy.</p>
Risks	✓	<p>LGIM and Newton have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>LGIM believes that increased transparency and disclosure can allow for financially material risks to be identified. In 2021, LGIM engaged with Moderna over increasing publicly available information on how much government financial support it had received in developing and manufacturing Covid-19 vaccines and whether this had affected decision making on products, including setting prices. Following in-depth engagement, Moderna released a press note covering this topic, which allowed LGIM to assess the viability of continued investment in the company.</p> <p>Over the year to 31 December 2021, Newton engaged with numerous companies on the regulatory risk presented by unhealthy food and any economic costs associated with producing them. This included engagement with Nestle on their approach to understanding nutrition and working with retailers to influence healthier consumer baskets and additionally with Unilever to set more ambitious sales on healthier products.</p>
Corporate Governance	✓	<p>The Trustee believes that it is the board's duty to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO.</p> <p>LGIM's policy from 2021 is to vote against all elections which combine the roles of CEO and Chair. LGIM voted against electing directors of Microsoft Corporation, JPMorgan Chase & Co., and Johnson & Johnson, alongside several others, in line with this policy.</p> <p>Newton engaged with Amazon over the Section year to understand the leadership transition now that the previous CEO and founder had stepped away, with the company view that the new CEO would have autonomy given that the founder is pursuing other, unrelated interests.</p>
Conflicts of Interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management).</p> <p>Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not align remuneration with company performance.</p>

		<p>For example, LGIM voted against AT & T ratifying named executive officers' compensation given there were concerns around a lack of performance criteria and the magnitude of awards and payments suggested.</p> <p>Newton carried out a range of votes and engagements on remuneration to understand and influence the long-term incentives of management. This included voting against the remuneration report of Nestle due to poor disclosure on executive pay, as no target performance thresholds or actual performance were disclosed, making it difficult for Newton to distinguish if remuneration was aligned with performance.</p>
Capital Structure	✓	<p>LGIM and Newton have policies on voting in respect of resolutions regarding changes to company capital structure, such as share repurchase proposals and new share issuance.</p> <p>For example, Newton voted against the proposal of share issuance by TE Connectivity due to the new shares excluding pre-emptive rights and proposed pool corresponding to 50% of issued share capital, which was deemed excessive.</p> <p>LGIM also has policies that protect minority shareholder rights including "one share, one vote" to avoid the weakening of corporate governance, as investors ability to influence and hold directors accountable would be reduced. As such LGIM decided against participating in the IPO of Deliveroo and The HUT Group in 2021.</p>
Social and Environmental impact	✓	<p>LGIM have engaged with companies that have poor climate scores relative to their size. For those that don't meet minimum standards, and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p> <p>LGIM have also introduced a policy to vote against the chair of the board of UK companies which fall short on its ethnic diversity expectations. In relation to this policy, LGIM have engaged with Amazon five times over the past year to discuss the company's human rights policies. LGIM supported Amazon shareholders at the 2021 AGM asking for an audit report of civil rights, equity, diversity and inclusion within the company.</p> <p>Newton undertook 223 ESG quality reviews of the c. 670 issuers that they were invested in on behalf of their clients. From these reviews, Newton decides which issuers and businesses to engage with based on an engagement priority matrix using a propriety ESG score, including controversy indicators, and high-level ESG themes of focus. Engagement can take the several forms including meetings, information requests and other lines of communication. Newton's ESG themes of focus over 2021 included energy use, social use of products and succession planning.</p>

Significant Votes

LGIM have provided examples of what it believes to be the most significant votes cast on the Trustee's behalf during the period.

A number of the most significant votes over the Section year related to the separation of CEO and board chair roles. LGIM have a long-standing policy advocating the separation and independence of the roles of CEO and chair, due to the different nature of these positions. Dividing these responsibilities ensures a single individual does not hold unbalanced powers of decision and creates equal authority on the board. From 2020, LGIM took a stronger stance on combined roles and will vote against individuals being elected or re-elected into both positions.

With respect to the Section's investments in the LGIM World (ex UK) Equity Index Fund, the manager participated in a number of related votes, including withholding from a vote electing Mark Zuckerberg as Director of Facebook, Inc. due to his role as Chair and CEO of the company.

A significant vote carried out on behalf of the LGIM All World Equity Index Fund (GBP Hedged) was also placed in favour of a Report on Civil Rights Audit for Apple Inc. LGIM noted diversity as being a key factor in this decision, as LGIM

supports proposals related to diversity and inclusion policies as these issues are considered to be a material risk to companies.

Due to the multi-asset nature of the Newton Real Return Fund, voting is only relevant for a small proportion of the portfolio. However, an example of a significant vote was in relation to AstraZeneca Plc, the UK based, multinational pharmaceutical company, where Newton voted against the company's remuneration, new performance share plan and a member of the remuneration committee. Newton voted against the proposals due to the lack of justification for significant increases to variable pay awards that were to be granted to senior executives. The overall vote was in favour of management; however, a significant proportion of votes (over 20%) were against the proposal, with Newton citing that this will be likely to cause the company to address concerns going forward to avoid such high levels of dissent. Newton voted similarly on a number of remuneration and compensation votes against managements proposals for CME Group Inc, Conoco Philips and Linde Plc over the Section year.

Engagement with investee companies

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not applicable for the Section's other non-equity based investments within the fixed income investments held within the LGIM AAA-AA-A Corporate Bond Over 15 Year Index Fund, LGIM All Stocks Index Linked Gilts Fund, LGIM 5-15 Year Index Linked Gilts Index Fund and LGIM Maturing Buy and Maintain Credit Fund Range. However, the Trustee expects the Investment Managers to engage on its behalf to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

Newton undertakes an active engagement approach with respect to the companies it invests in, such as monitoring of any changes including in management process, remuneration and other social and environmental issues with the view that this engagement can increase sustainability and long-term investment opportunity. Newton holds a variety of positions with respect to these companies including equity, fixed income or a combination of the two and can subsequently on occasion use its voting rights at a company level to influence and drive change within fixed-income holdings.

Over the 12 months to 31 December 2021, Newton undertook 238 engagements with 168 companies. Some engagements covered multiple topics and Newton has provided the following summary:

- 128 on environmental topics;
- 136 on social topics; and
- 129 on governance issues;

Over the Section year, Newton began to provide examples of engagements that it had undertaken over each quarterly period. A total of 51 engagement were carried out over the year to 31 March 2022, of which a summary can be found below noting engagements cover multiple topics:

- 27 on environmental topics;
- 34 on social topics; and
- 24 on governance issues;

LGIM actively engages with the investee companies via meetings with management and engagements via email to influence positive ESG practices. There is substantial overlap between the companies in which LGIM holds debt and equity, and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

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 clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Over the 12 months to 31 March 2022, LGIM undertook 696 engagements with 593 companies. Some engagements covered multiple topics and LGIM have provided the following summary:

- 340 on environmental topics;
- 271 on social topics;
- 332 on governance issues; and
- 97 on other topics including finance and strategy.

The top five engagement topics included climate change, remuneration, board composition, energy and climate impact pledges.

Over the year, LGIM began to release fund specific engagement statistics, with the following table summarising the engagements undertaken on a fund-by-fund basis. The All World Global Equity Fund – GBP statistics relate to the year period to 31 March 2022, with LGIM only producing quarterly figures and this period being the most applicable to the period of holding by the Section over the year to 31 March 2022.

Similarly, the World (ex UK) Equity Index Fund and LGIM UK Equity Index Fund relate to the year to 31 December 2021, with this period being the most applicable to the period of holding. LGIM were unable to provide individual engagement statistics for the LGIM AAA-AA-A Corporate Bond Over 15 Year Index Fund over any period and for the LGIM Maturing Buy and Maintain Credit Fund Range over any period that the Section held an investment.

	Total Engagements	No. Unique Companies Engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
UK Equity Index Fund	280	175	65	84	198	38
World (ex UK) Equity Index Fund	407	309	185	133	221	141
All World Global Equity Fund – GBP Hedged	535	351	284	193	240	85

The remainder of the Section’s assets are invested in index-linked government bonds through the LGIM All Stocks Index Linked Gilts Fund and LGIM 5-15 Year Index Linked Gilts Index Fund, with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Section’s liabilities. While no investment manager can have a significant impact on government policy, LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Extent to which Trustee Policies Have Been Followed

Having reviewed the actions taken by the Investment Managers over the year, the Trustee believes that its policies on stewardship and engagement have been implemented appropriately over the year and in line with their views. The Trustee will continue to monitor the actions taken on their behalf each year.

If the Investment Managers deviate substantially from the Trustee’s stated policies, the Trustee will initially engage and discuss this with each investment manager, and if the Trustee still believe the difference between their policies and the investment manager’s actions are material, the Trustee will consider terminating and replacing the mandate if necessary.