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# LPA Industries Limited Section of the Master Plan

## Implementation Statement

For the year ended 31 March 2023

### Introduction

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

Each year, the Trustee must produce an Implementation Statement that demonstrates how it has followed certain policies within the Section's SIP over the year. This Statement covers the year from 1 April 2022 to 31 March 2023.

This 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 its governance structure and objectives.

Over the past year the Scheme has continued to follow the strategy as per the Scheme's SIP, which was reviewed and updated to reflect the changes in the investment strategy in February 2023. As such there has been no changes to the policies listed below over the year, including to ESG.

The Section's SIP includes 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, capital structure, the management of actual or potential conflicts of interest, risks, corporate governance, and governance, social and environmental issues concerning the Trustee's investments)
- 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.

This Statement reviews the voting and engagement activities covering the 12-month period to 31 March 2023 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 LGIM (the "Investment Manager") over the year under review to 31 March 2023.

It is therefore the Investment Managers that are responsible for the policies 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, and issuers/other holders of debt and equity and 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 sit primarily with the Investment Manager, LGIM. The Section's voting behaviour over the Section year is summarised below.

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

- The LGIM Buy and Maintain Credit Fund between 1 April 2022 – 31 March 2023.
- LGIM All World Equity Index Fund – GBP Currency Hedged between 1 April 2022 and 31 March 2023

LGIM manage over £1.2 trillion in assets, and use their resulting influence as investors, focussing their votes and engagement with organisations on climate change, income equality, diversity, and ESG integration.

The table below shows LGIM's voting summary covering the Section's investment in the Buy and Maintain Credit Fund over the year to 31 March 2023.

LGIM Buy and Maintain Credit Fund	1 April 2022 – 31 March 2023
Number of meetings LGIM was eligible to vote at over the year	2
Number of resolutions LGIM was eligible to vote on over the year	3
Of the eligible resolutions, percentage that LGIM voted on.	100.0%
Of the resolutions voted, percentage that LGIM voted <b>with</b> management.	100.0%
Of the resolutions voted, percentage that LGIM voted <b>against</b> management.	0.0%
Of the resolutions voted, percentage where LGIM <b>abstained</b> .	0.0%
Percentage of eligible meetings where LGIM voted at least once against management.	0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	0.0%

The table below shows LGIM's voting summary covering the Section's investment in the LGIM All World Equity Index Fund – GBP Currency Hedged at 31 March 2023.

LGIM All World Equity Index Fund – GBP Currency Hedged		1 April 2022– 31 March 2023
Number of meetings LGIM was eligible to vote at over the year		6,728
Number of resolutions LGIM was eligible to vote on over the year		68,320
Of the eligible resolutions, percentage that LGIM voted on.		99.9%
Of the resolutions voted, percentage that LGIM voted <b>with</b> management.		79.1%
Of the resolutions voted, percentage that LGIM voted <b>against</b> management.		19.7%
Of the resolutions voted, percentage where LGIM <b>abstained</b> .		1.2%
Percentage of eligible meetings where LGIM voted at least once against management.		63.4%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.		10.4%

Regarding the Section's Corporate Bonds, Gilts and Index linked Gilts managed by LGIM, these funds did not invest in any investments that carried voting rights.

## Proxy Voting

The Trustee did not employ a proxy-voting service during the Section year to 31 March 2023.

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 Services ('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').

## How Voting and Engagement Policies Have Been Followed

The Trustee intends to review a summary of the voting and engagement activity taken on its behalf on a regular basis. The information published by LGIM 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 2023.

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, and 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 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	✓	LGIM believe that board independence, diversity and remuneration can have a financially material impact on the assets it invests within,

		<p>with the Board ultimately responsible for the strategy for any company that is invested in or held as a counterparty. 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>In 2023, LGIM further enhanced its global policy expectations that at least one-third of the directors on non-controlled company boards are women. Additionally in 2023, LGIM expanded its expectations to cover smaller companies, voting against boards where female directors do not make up at least 25% of the total.</p>
<b>Risks</b>	✓	<p>LGIM have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>LGIM voted against The Progressive Corporation due to the company not meeting the minimum standard with regards to climate risk management.</p>
<b>Social and Environmental impact</b>	✓	<p>LGIM voted against NVIDIA Corporation on electing another male on the board as they expect companies to have at least 25% women on their board with the expectation of 30% of women on the board by 2023. The resolution to this was to appoint Harvey C. Jones. LGIM voted against the appointment of a board member as they have been a member of the Leadership Development &amp; Compensation Committee which were accountable for human capital management failings.</p>
<b>Conflicts of Interest</b>	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management).</p> <p>LGIM has had concerns with Informa Plc's remuneration practices for many years as they have been voting against the pay proposals at two meetings. This year LGIM voted against the re-election of 2 directors who voted to approve the pay proposals in the remuneration report. There is concern that post-exit shareholding requirements under the policy does not meet LGIM's minimum standards and with regards to pensions, it is unclear whether reductions will align with the wider workforce.</p>
<b>Corporate Governance</b>	✓	<p>The Trustee believes 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 Trustee also believes that the 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 continued to vote against electing directors of Bank of America Corporation, Pfizer, and Accenture Plc. alongside several others, in line with this policy.</p>
<b>Capital Structure</b>	✓	<p>LGIM 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, LGIM have policies that newly issued shares should not expose minority shareholders to excessive dilution.</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 chose to vote to withhold UiPath Inc for their director nominees to the adoption of a dual-class capital structure which had unequal voting rights.</p>
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## Significant Votes

There were no significant votes made in relation to the securities held within the LGIM Buy and Maintain, LGIM Corporate Bonds Over 15 Years Index, LGIM All Stocks Index Linked Gilts, 5-15 Yr. Index-Linked Gilts Index and the Maturing B&M credit Funds during the reporting period to the 31 March 2023.

As for the All-World Equity Index Fund – GBP Currency Hedged, the significant votes are detailed in the tables below.

Example 1: LGIM All World Equity Index Fund – GBP Currency Hedged	
<b>Vote Details</b>	Amazon.com, Inc, 25/05/2022
<b>Approximate size of fund's holding as at date of vote</b>	1.7% of LGIM All World Equity Index Fund – GBP Currency Hedged
<b>Rationale for significance</b>	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.
<b>Voting decision</b>	LGIM voted against the election a Director at Amazon.com, Inc as the Director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
<b>Voting against management</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics. However, as noted above, LGIM pre-declared its vote intention for this resolution.
<b>Vote outcome</b>	93.3% in favour
<b>Next Steps</b>	LGIM will continue to engage with the investee company, publicly advocate its position on this issue and monitor company progress.

Example 2: LGIM All World Equity Index Fund – GBP Currency Hedged	
<b>Vote Details</b>	Alphabet Inc., 01/06/2022
<b>Approximate size of fund's holding as at date of vote</b>	1.1% of LGIM All World Equity Index Fund – GBP Currency Hedged
<b>Rationale for significance</b>	It was an escalation of LGIM's climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.
<b>Voting decision</b>	LGIM voted in favour of a resolution for Alphabet Inc. to report on the physical risks of climate change. LGIM expects companies to be taking sufficient action on the key issue of climate change.
<b>Voting against management</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with

	investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
<b>Vote outcome</b>	17.7% in favour
<b>Next Steps</b>	LGIM will continue to engage with the investee company, publicly advocate its position on this issue and monitor company and market-level progress.

## 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 Section's fixed income investments within LGIM Buy and Maintain Credit Fund as these investments do not always carry voting rights.

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. It is also noted that 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 have 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 consider client feedback.

Over the 12 months to 31 March 2023, LGIM undertook 1,088 engagements with 950 companies. Some engagements cover multiple topics and LGIM have provided the following summary:

- 571 on environmental topics.
- 327 on social topics.
- 433 on governance issues; and
- 123 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, the Buy and Maintain Credit Fund and the Maturing Buy and Maintain Funds statistics below relate to the year to 31 March 2023.

	Total Engagements	No. Unique Companies Engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
<b>Buy and Maintain Credit Fund</b>	161	86	76	59	76	26
<b>All World Global Equity Fund – GBP Hedged</b>	668	442	360	205	249	95

Maturing Buy and Maintain Credit Fund 2030-2034	139	0	50	29	52	8
Maturing Buy and Maintain Credit Fund 2035-2039	104	50	54	39	49	19
Maturing Buy and Maintain Credit Fund 2040-2054	125	66	61	46	55	22

The Trustee will monitor LGIM's reporting to see if more detail at a fund level can be provided in the future for monitoring purposes.

The remainder of the Section's assets are invested in leveraged nominal and index-linked government bonds with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Section's liabilities and a cash fund for liquidity purposes. LGIM have 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 its views as stated in the Section's SIP. The Trustee will continue to monitor the actions taken on its behalf each year and press for improved engagement information and ESG reporting metrics from the Investment Managers at a fund specific level.

If the Investment Managers deviate substantially from the Trustee's stated policies, the Trustee will initially engage and discuss this with Investment Manager, and if the Trustee still believes the difference between its policies and Investment Manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.

### September 2023

For and behalf of the Trustee of the LPA Industries Limited Section of the Master Plan.

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