

## **Implementation statement for the nine-month period ending on 31 December 2023**

### **Quantel Pension and Life Assurance Plan**

#### **Introduction**

This implementation statement has been prepared by the Trustee of the Quantel Pension and Life Assurance Plan (“the Trustee” of “the Plan”). The Trustee has decided to change the Plan’s year-end from 31 March to 31 December. Therefore, this statement covers the nine-month period, starting from 31 March 2023 (the year-end that the last published implementation statement covered) and ending on 31 December 2023.

The purpose of this statement is to:

- set out how and the extent to which, in the opinion of the Trustee, the policy on engagement and voting as set out in the Plan’s statement of investment principles (“SIP”) has been followed during the period; and
- describe the voting behaviour undertaken on the shares the Plan held (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter over the year.

A copy of this implementation statement will be made available on this website: <https://epa.towerswatson.com/accounts/BEL/public/plan-information/>.

#### **Review of the SIP and changes made during the nine-month period**

The SIP is a document which outlines the Trustee policies with respect to various aspects related to investing and managing the Plan’s assets including but not limited to investment managers, portfolio construction and risks. The latest version of the SIP can be found on the website linked above. This implementation statement reflects the Plan period from 1 April 2023 to 31 December 2023. The SIP linked above is the latest version, which was updated during the Plan period and dated June 2023. The key changes following the updated strategy, as detailed in the June 2023 SIP, were reducing equity risk via a fall in equity holding, and increasing the level of hedging.

#### **How the Trustee has adhered to its voting and engagement policy**

As set out in the SIP, the Trustee delegates primary responsibility for corporate engagement activities to the Plan’s investment managers, Legal & General Investment Management (“LGIM”) and M&G Investments (“M&G”). The Plan’s investment managers are signed up to the UK FRC Stewardship Code (or equivalent) and the Trustee, via its investment consultant, monitors their adherence to that code. The Trustee also regularly reviews their performance against the long-term target the Plan has set as part of quarterly investment reporting.

#### **Voting information**

The Trustee’s focus for voting rights within this implementation statement is on the LGIM UK Equity Index Fund, the LGIM World (ex UK) Equity Index Fund and the LGIM Retirement Income Multi-Asset Fund.

The remaining funds in the Plan’s portfolio – LGIM Matching Core LDI Funds, LGIM Gilts and Index Linked Gilts Funds, LGIM Absolute Return Bond Fund and the M&G Alpha Opportunities Fund – do not carry voting rights.

The Plan’s equity holdings as at the end of the year are held in pooled investment funds. Therefore, the voting entitlements in these funds lie with LGIM as the investment manager.

The Trustee's view is that environmental, social and governance ("ESG") factors can have an impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors into the Plan's investment strategy is in the best long-term financial interests of its members. Members' views have not been explicitly sought on this at the current point in time.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to LGIM. This section sets out the voting activities of LGIM over the nine-month period, including details of LGIM's use of proxy voting.

The Trustee receives periodic updates on LGIM's performance that are discussed at each Trustee meeting. The Trustee also receives periodic updates when there are any changes to the investment consultant's ratings of LGIM.

LGIM has a set of voting policies that drive the voting decisions, as well as policy documents in relation to corporate governance and responsible investment and conflicts of interest. These policies and documents are reviewed by LGIM annually and take into account client feedback. LGIM uses ISS's '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. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. LGIM's investment stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which LGIM believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure votes are fully and effectively executed in accordance with voting policies by service providers. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

### **Summary of voting over the nine-month period to 31 December 2023**

The Trustee believes LGIM have a strong engagement process. A summary of the voting on behalf of the Plan over the nine-month period to 31 December 2023 is provided in the table overleaf.

	LGIM UK Equity Index Fund	LGIM World (ex UK) Equity Index Fund	LGIM Retirement Income Multi-Asset Fund
Number of meetings eligible to vote	593	2,424	8,510
Number of votes eligible	9,241	29,697	90,248
% of votes exercised (of those eligible to vote)	99.77%	99.93%	99.80%
% of votes with management (of those eligible to vote)	94.24%	77.57%	77.17%
% of votes against management (of those eligible to vote)	5.76%	22.39%	22.70%
% abstained (of those eligible to vote)	0.00%	0.04%	0.13%
% of meetings (of those where at least one vote was cast) where the vote was against management at least once	42.16%	76.40%	73.11%
% of resolutions (on which a vote was cast) where the vote was contrary to the recommendation of the proxy adviser	4.72%	16.73%	13.96%

### Significant votes

LGIM determined the “most significant” votes over the nine-month period to be 74 for the UK Equity Index Fund, 622 for the World (ex UK) Equity Index Fund and 2,093 for the Retirement Income Multi-Asset Fund. A summary of the key themes of the resolutions that were classed as votes of most significance are in the table below.

	UK Equity Index Fund		LGIM World (ex UK) Equity Index Fund		LGIM Retirement Income Multi-Asset Fund	
Vote theme	Number of most significant votes	Percentage of most significant votes (%)	Number of most significant votes	Percentage of most significant votes (%)	Number of most significant votes	Percentage of most significant votes (%)
Diversity	43	58.1	284	45.6	1,094	52.3
Board leadership	19	25.7	194	31.2	588	28.1
Climate	8	10.8	93	14.9	270	12.9
Nature	4	5.4	15	2.4	64	3.0
Investor rights	-	-	34	5.5	73	3.5
Health	-	-	1	0.2	1	0.1
Other	-	-	1	0.2	3	0.1

Some selected significant votes, for each of the three funds, are shown overleaf. The Trustee selected these votes based on the themes that are important to the Trustee, the level of support for the resolution, and the size of the underlying holdings.

### Significant votes selected by Trustee

**Company: Shell Plc**

**Meeting date:** 23 May 2023

**Resolution:** Approve the Shell energy transition progress

**How LGIM voted for the resolution:** Against (against management recommendation)

**Outcome:** Pass (80% votes supported the resolution)

**Why it was significant:** LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both are key areas to demonstrate alignment with the 1.5C trajectory. LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan. The Trustee agrees with this view.

**Company: Glencore Plc**

**Meeting date:** 26 May 2023

**Resolution:** Resolution in respect of the next climate action transition plan

**How LGIM voted for the resolution:** For (against management recommendation)

**Outcome:** Fail (29.2% votes were for the resolution)

**Why it was significant:** LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of their engagement activity, targeting some of the world's largest companies on their strategic management of climate change. The Trustees support LGIM's active engagement and willingness to file shareholder resolutions in relation to climate risk.

**Company: Pearson Plc**

**Meeting date:** 28 April 2023

**Resolution:** To approve the remuneration policy

**How LGIM voted for the resolution:** Against (against management recommendation)

**Outcome:** Pass (53.6% votes supported the resolution)

**Why it was significant:** LGIM considers this vote to be significant as it is in application of an escalation of their engagement activity and challenged the Company on their decision to set executive bonus compensation relative to US peers but pension benefits relative to UK peers resulting in an overly generous package. LGIM has had reason to vote against pay for more than one year. The Trustees noted the very small margin with which the resolution passed.

**Company: Amazon.com, Inc.****Meeting date:** 24 May 2023**Resolution:** Report on median and adjusted gender/racial pay gaps**How LGIM voted for the resolution:** For (against management recommendation)**Outcome:** Fail (29% votes were for the resolution)

**Why it was significant:** LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. The Trustee agrees with this view.

**Company: The Coca-Cola Company****Meeting date:** 25 April 2023**Resolution:** Report on congruency of political spending with company values and priorities**How LGIM voted for the resolution:** For (against management recommendation)**Outcome:** Fail (29.1% votes were for the resolution)

**Why it was significant:** LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability. In addition, LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.

**Company: Berkshire Hathaway Inc.****Meeting date:** 6 May 2023**Resolution:** Require Independent Board Chair**How LGIM voted for the resolution:** Pass**Outcome:** Fail (10.9% votes were for the resolution)

**Why it was significant:** LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

**Company: McDonald's Corporation**

**Meeting date:** 25 May 2023

**Resolution:** To adopt policy to phase out use of medically important antibiotics in beef and pork supply chain

**How LGIM voted for the resolution:** For (against management recommendation)

**Outcome:** Fail (16.3% votes were for the resolution)

**Why it was significant:** LGIM considers this vote to be significant as antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health. LGIM considers AMR to be a systemic risk and the Trustees agree this could have material financial implications.

**Company: Westpac Banking Corp.**

**Meeting date:** 14 December 2023

**Resolution:** Approve Westpac climate change position statement and action plan

**How LGIM voted for the resolution:** Against

**Outcome:** Pass (information on the percentage votes for the resolution not available) although a related shareholder climate resolution at the same AGM received a 21.5% vote.

**Why it was significant:** LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan. The Trustee agrees with this view particularly as it expects Companies in the banking sector have a key role to play on the financing that can accelerate/decelerate climate change.

In the Trustee's opinion, the SIP has been followed during the nine-month period to 31 December 2023 in relation to voting and engagement policy.

The Trustee of the Quantel Pension and Life Assurance Plan

August 2024