Implementation Statement

Laporte Group Pension Trust

Introduction

This is the Trustee's Annual Implementation Statement ('the Statement') for the Laporte Group Pension Trust ("the Trust") and is prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This Statement sets out how the Trustee has complied with the Trust's Statement of Investment Principles (SIP) during the period from 1 April 2022 to 31 March 2023. This Statement covers both DB and DC Sections of the Trust.

Review of the SIP and resulting changes

The Trustee last reviewed and updated the DC SIP in September 2022.

The changes the Trustee made at this time were limited to the DC Section and included:

- Reference to the newly launched L&G Drawdown Target Date Fund (TDF) options and the rationale for their inclusion i.e., to offer a managed investment option designed to align with the objective of choosing to 'drawdown' DC benefits at retirement

- A new risk management measure noting the potentially negative effect of investment options not being aligned with how members elect to draw their benefits at retirement. This risk will be managed via the availability of the lifestyle options and the new suite of TDFs, together with supporting, targeted communications.

The Trustee last reviewed and updated the DB SIP in January 2021. There were no changes made to the DB SIP during the reporting period.

Adherence to the SIP

The Trustee has implemented its investment policy as set out in the SIP. An overview of how this has been achieved is set out in the remainder of this section.

The latest version of the SIP is available for members to view via the Trust website here:
https://www.psgovernance.com/communications/laporte-group-pension-trust.html

Meeting objectives and policies outlined in the SIP

DB Section

Objectives and strategy

The Trustee aims to invest the DB assets of the Trust prudently to ensure that the benefits promised to members are provided. In December 2020, the Trustee purchased an Annuity Policy to ensure the benefits for the DB membership of the Trust and minimise the risk that the Trust is unable to meet its objective.

Risk

The Annuity Policy is intended to match the liabilities for the membership of the Trust, and to eliminate the interest rate, inflation and longevity risk associated with the Trust's liabilities. The key risk to the DB section of the Trust is the risk that the annuity provider, Legal and General Assurance Society ("LGAS"), fails to make the pension payments covered by the Annuity Policy as they fall due. The

Trustee considered the credit strength of LGAS as part of its due diligence process, in addition to other factors such as the regulatory environment and other protections available.

Governance

The Trustee is responsible for the investment of the Trust's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether it has the appropriate training and knowledge, having taken advice where appropriate in order to take an informed decision.

Over the course of the year, the division of responsibilities between the Trustee, its investment advisers and the asset managers remained unchanged.

Environmental, social and governance ("ESG") considerations

In setting the Trust's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Trust and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change could negatively impact the value of investments held if not understood and evaluated properly.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to purchase the Annuity Policy, and recognises that it cannot directly influence the ESG integration nor stewardship policies and practices of LGAS. However, given the nature of the Annuity Policy purchased by the Trust, the Trustee believes that LGAS is appropriately incentivised to make decisions relating to the medium and long-term financial and non-financial factors that may influence performance.

Stewardship – voting and engagement

Following the purchase of an Annuity Policy, responsibility for voting and engagement with managers has been delegated to LGAS. The Trustee believes that LGAS should use its influence and purchasing power where possible to ensure that ESG factors (including climate change) are appropriately considered by the underlying investment manager and financial counterparties.

The Trustee recognises that it cannot directly influence the ESG integration nor stewardship policies and practices of LGAS. Additionally, the Trustee acknowledges the limited materiality of stewardship for the residual assets invested in the Sterling Liquidity Fund managed by Legal and General Investment Management ("LGIM").

Cost monitoring

Following the purchase of the Annuity Policy, responsibility for monitoring costs in relation to the Trust's DB assets has been delegated to LGAS. The Trustee therefore does not monitor costs relating to the Annuity Policy; however, it expects LGAS to confirm if costs are likely to have an impact on the Annuity Policy. The Trustee paid a premium to LGAS when the Annuity Policy was initiated, and as a result there are no ongoing fees.

Arrangements with asset managers

Before entering into the Annuity Policy, the Trustee reviewed the governing documentation associated with the Policy and considered the extent to which it aligned with the Trust's requirements. Following the purchase of the Annuity Policy, the responsibility for managing arrangements with asset managers lies with LGAS. This responsibility may include ensuring that arrangements with the appointed asset manager is aligned to achieving the long-term objectives of LGAS and the Trust.

DC Section

Objectives and strategy

The Trustee's key DC investment objective is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. The Trustee meets this objective by reviewing the Trust's investment strategy in detail on at least a three-yearly basis. The last review was completed in September 2021.

The September 2021 review followed the Regulator's best practice guidance and included detailed a detailed demographic analysis and an assessment of overall risk profile, as well as financial modelling to better understand how, proportionately, members were likely to take their benefits at retirement.

Following the review, the Trustee was satisfied that the current investment options remained broadly appropriate, however, it elected to enhance these by:

- Seeking to Introduce a drawdown focussed 'hands off' investment strategy option – introduced during the reporting period in September 2022.
- Rebalancing the global equity fund distribution (reducing the UK equity component) and introducing a sustainable/ESG 'tilted' global equity fund option into the fund range. This completed on 5 February 2022.

In order to facilitate the introduction of the L&G Drawdown Target Date Fund (TDF) options, the DC investments were migrated to L&G's investment platform. This will further streamline investment administration and removes the cost for blending/white-labelling funds.

The next investment strategy review is scheduled to take place from September 2024.

Governance

The Trustee's Investment Committee met in person in Q1, Q2 and Q3 over the reporting period to conduct the Trust's DC business, which includes monitoring the Trust's investment strategy and performance of the Trust's fund range. An overview of Capital Markets is also provided at each meeting by the sponsoring employer's Investment Committee representative who is also an investment professional. In Q4, the Trustee received the usual investment reports for monitoring purposes.

The Trust's DC investment adviser updates the Trustee in between meetings if a particular issue arises with LGIM or one of the funds made available within the Trust. A representative from LGIM also attends quarterly meetings if and when required.

The Committee is comfortable with moving to three meetings and believes this has been a success. Any key issues are covered by ad-hoc calls if required.

Consideration of DC risks

The Trustee has considered and identified the key DC risks members are exposed to. These are shown on page 3 in the SIP which can be accessed here:
https://www.psgovernance.com/communications/laporte-group-pension-trust.html

The Trustee does not consider risk in isolation, but in conjunction with expected investment returns and outcomes for members. The Trustee has developed and maintained a risk register as part of a framework of assessing investment risks. The risk register was reviewed at each quarterly Investment Committee meeting, with specific focus given to a bank of risks on an annual rolling cycle.

The Trust does not (and has never) operated a default investment arrangement, however, the Trustee has nevertheless sought to adopt the Regulator's best practice principles in formulating its wider investment strategy. As part of its monitoring, the Trustee, in conjunction with its DC investment advisers, considers the performance of the fund range at each Trustee meeting, concentrating on the mid to long-term periods.

The Trustee has selected a range of funds which attempt to address the key DC risks the Trustee has identified. The Trustee measures the effectiveness of the investment choices to address these risks on an ongoing basis.

Professional advice

The Trustee is aware of the requirement to take professional advice when setting and reviewing the investment strategy.

The Trustee has appointed WTW to provide such DC advice. In accordance with this engagement, WTW provides a triennial strategy review which includes recommendations in relation to the lifestyle investment strategies and wider fund range. WTW also attended each Investment Committee meeting to provide ongoing investment support and advice. WTW is set annual objectives to support the Trustee, with performance monitored by the Trustee annually. Feedback against these objectives is provided to WTW each year.

Investment performance monitoring

The Trustee regularly monitors the performance of the DC investment options and the Trust's investment manager.

Over the reporting period, the Trustee considered the performance of the fund range at each of the three Investment Committee meetings and in Q4 by reference to reporting information. In doing this, the Trustee Directors discussed the market context alongside assessing how closely each of the passively managed funds had tracked their respective indices. The Trustee also considered the funds against its broader objective to offer accumulation options which exceed price inflation over the mid to long-term.

The Trustee was satisfied that the investment options were performing in line with the agreed objectives.

Costs and monitoring

Members only meet the costs associated with the management and delivery of the Trust's investment options. All other Trust expenses (such as administration, communication, and general scheme governance) are met by the sponsoring employer.

During the reporting period, the Trustee's advisors compared the investment charges applying to the Trust's fund range against those of their client base and the wider market. The charges (TERs) under the Scheme range from 0.1% p.a. to 0.3% p.a. Following the global equity fund changes, the majority of members were invested in the Blended L&G Future World Global Equity Index Fund which has a Total Expense Ratio (TER) of 0.24% p.a. Members also have access to the LGIM Diversified Fund at 0.19% which represents a low cost when considering it offers access to alternative investment classes. The Trust's DC annual management charges, on average, were benchmarked to be broadly consistent with other investment only charges that DC members pay.

The Trustee's advisors also compared the Trust's aggregated transaction costs against the market average cost of funds in equivalent sectors. This comparison showed that the transaction costs are all reasonable, with the majority benchmarking favourably against market averages.

Environmental, social and governance (ESG) considerations

The SIP takes into account requirements that came into force from 1 October 2020 around ESG factors and sustainability. To support these requirements, the following specific activities were undertaken over the reporting period:

- In June 2022, LGIM's Investment Stewardship activity and key voting information was reviewed and considered as part of the Implementation Statement disclosures.

- In September 2022, the Trustee received an overview from its advisers looking at TCFD disclosures and concerns from the Pensions Regulator that trustees were not incorporating climate change factors within their schemes.

- September 2022 also saw the introduction of L&G's TDF investment options, which invest in L&G's Future World funds and include a stated aim to invest members' money as sustainably as possible.

The Trustee will also look to set key stewardship priorities that the investment manager will be monitored against in future. The Trustee intends to engage with L&G (so far as it is able) on the agreed stewardship priorities and review the relevant managers' track record of voting in relation to these priorities as part of its investment governance framework. The Trustee has agreed the following stewardship priorities:

- Environmental and social issues, including climate change
- Diversity, remuneration and workforce interests
- Capital structure, risk, strategy, and performance

The rationale for choosing these priorities being that they align with the Trustee's agreed focus areas as well as the capabilities of the relevant investment managers.

Stewardship - voting policy and engagement

The Trustee's equity holdings are invested in LGIM pooled funds. The Trustee does not own the legal entitlement to the underlying portfolio of securities. The Trustee's rights pertain only to owning units in the funds.

Accordingly, the Trustee's policy is that day-to-day decisions relating to the investment of Trust assets is left to the discretion of their investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant.

When reviewing the existing manager, the Trustee, together with its professional adviser, look to take account of the approach taken by the manager with respect to sustainable investing including voting policies and engagement where relevant.

LGIM's Investment Stewardship team comprises 26 professionals with an average of 11.5 years' experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment, and public policy. The team members cover many geographies, across both emerging and developed markets.

During 2022 LGIM voted on over 171,000 proposals during 15,750 company meetings. LGIM's policy is to keep abstentions to a minimum and it utilises proxy advisory firm, Institutional Shareholder Services' (ISS) Proxy Exchange voting platform to vote electronically and to ensure, in markets where it has unimpeded voting rights, that no votes remain unexercised.

LGIM implements a custom voting policy, which requires companies, among other things, to have a higher level of independence and diversity on the board, or to provide more in-depth disclosure regarding executive compensation.

LGIM's stated objective is to effect positive change in the companies and assets in which it invests and for society as a whole. In 2022, LGIM's focus was on:

1. Policy advocacy and collaboration
2. Environment
3. Diversity
4. People and health
5. Investor rights
6. Director's pay

The Investment Stewardship team engaged 1,224 times in respect of 902 companies during 2022, which is an increase on the previous year. The top five engagement topics over 2022, were Climate change (281), Deforestation (264), Remuneration (219), Shareholder rights (212) and Company disclosure and transparency (120).

Climate change was once again the team's top topic for engagement in 2022. North America was the biggest engagement market (489) after Asia Pacific (220) and the UK (207). The most frequently engaged companies were BP (13 engagements), Tesco (10), Unilever (9), Shell (8), Sainsbury's (7).

The table below sets out the relevant voting activities, including any votes cast on the Trustee's behalf and examples of votes cast that they deem to be significant based on its own priorities for ESG oversight (as set out under the 'Environmental, social and governance (ESG) considerations'). The voting covers funds available under the Scheme as at 31 March 2023:

Fund name	Voting activity	Example of one of the most significant votes cast during the period
UK Equity Index Fund	Number of eligible resolutions: 2,662 Percentage of eligible votes cast: 99.96% Percentage of votes with management: 94.81% Percentage of votes against management: 5.19% Percentage of votes abstained from: 0.00%	**Example Vote** **Company: TUI AG** **Resolution:** Resolution 7.1 - Elect Dieter Zetsche to the Supervisory Board **How LGIM voted:** Voted against the proposal **Outcome**: For **LGIM Rationale:** Deforestation Policy: A vote against is applied as the company is deemed to not meet minimum standards with regard to LGIM's deforestation policy.
World (ex UK) Equity Index Fund	Number of eligible resolutions: 8,021 Percentage of eligible votes cast: 100% Percentage of votes with management: 78.46 Percentage of votes against management: 20.98% Percentage of votes abstained from: 0.56%	**Example Vote** **Company: Costco Wholesale Corporation** **Resolution:** Resolution 1h - Elect Director Jeffrey S. Raikes **Outcome**: For **How LGIM voted:** Voted against the proposal **LGIM Rationale:** Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. Diversity: A vote against is applied as the company has an all-male Executive Committee.

Fund name	Voting activity	Example of one of the most significant votes cast during the period
Diversified Fund	Number of eligible resolutions: 99,252 Percentage of eligible votes cast: 98.82% Percentage of votes with management: 77.36% Percentage of votes against management: 21.94% Percentage of votes abstained from: 0.7%	**Example Vote** **Company: Royal Dutch Shell Plc** **Resolution:** Approve the Shell Energy Transition Progress update **How LGIM voted:** Voted against the proposal **Outcome**: For **LGIM Rationale:** Climate change: A vote against is applied, though not without reservations. Substantial progress has been made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, concerns remain over the disclosed plans for oil and gas production, which would benefit from further disclosure of targets associated with the upstream and downstream businesses.
Future World Global Equity Index Fund	Number of eligible resolutions: 72,767 Percentage of eligible votes cast: 99.85% Percentage of votes with management: 81.96% Percentage of votes against management: 16.90% Percentage of votes abstained from: 1.13%	**Example Vote** **Company: Rio Tinto Plc** **Resolution:** Resolution – Approve Climate Action Plan **How LGIM voted:** Voted against the proposal **Outcome**: For **LGIM Rationale:** Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
Ethical Global Equity Index Fund	Number of eligible resolutions: 3,522 Percentage of eligible votes cast: 100% Percentage of votes with management: 80.49% Percentage of votes against management: 18.68% Percentage of votes abstained from: 0.82%	**Example Vote** **Company: Accenture Plc** **Resolution:** Resolution 1h - Elect Director Julie Sweet **How LGIM voted:** LGIM voted against the resolution **Outcome**: For **Rationale:** Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.

Source: LGIM.