

EQUANS Defined Benefit Pension Scheme - Implementation Statement for 2019 DB Regulations

Statement of Compliance with the EQUANS Defined Benefit Pension Scheme's Stewardship Policy for the year ending 31 December 2022

Introduction

This is the Trustee's statement 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 Scheme's Stewardship Policy during the period from 1 January 2022 to 31 December 2022.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed periodically in conjunction with reviews of the Scheme's Statement of Investment Principles (SIP) review which was last completed on August 2020 to ensure it is compliant with new DB Investment Regulations.

You can review the Scheme Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at <https://www.equans.co.uk/pensions>. The next SIP review is expected to take place following the conclusion of the investment strategy review in 2023.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustee meets regularly with their managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors their compliance with their Stewardship Policy on a regular basis and is satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor managers' voting patterns.

The Trustee has investments in equity assets through a pro-ESG tilted global equity mandate with LGIM.

Voting summary

LGIM have reported on how votes were cast in respect of this mandate as set out in the table below.

LGIM Future World Global Equity Index Fund	
Proportion of Scheme assets as of 31 Dec 2022	10.7%
No. of meetings eligible to vote at during the year	4,942
No. of resolutions eligible to vote on during the year	53,097
% of resolutions voted	99.9%
% of resolutions voted with management	80.4%
% of resolutions voted against management	18.6%
% of resolutions abstained	1.0%
% of meetings with at least one vote against management	63.3%

Significant votes

The Trustee has asked LGIM to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. LGIM was asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote.

LGIM has confirmed to the Trustee that for the Future World Global Equity Index Fund, 535 significant votes were cast over the reporting period, examples of these votes are provided below.

Date	Company	Subject	Manager's vote and rationale
4 March 2022	Apple Inc.	Report on Civil Rights Audit	<p>LGIM voted for the resolution. A slim majority of shareholders voted in favour of the resolution.</p> <p>A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.</p> <p>LGIM views gender diversity as a financially material issue for clients, with implications for the assets managed on their behalf.</p>
25 May 2022	Amazon.com, Inc.	Elect Director Daniel P. Huttenlocher	<p>LGIM voted against the resolution. The vast majority of shareholders voted in favour of the resolution.</p> <p>A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.</p>

			LGIM pre-declared its vote intention for this resolution, demonstrating its significance.
1 June 2022	Alphabet Inc.	Report on Physical Risks of Climate Change	<p>LGIM voted for the resolution. The majority of shareholders voted against the resolution or abstained.</p> <p>A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.</p> <p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p>

Use of a proxy adviser

In their management of the Scheme's equity assets LGIM made use of the voting information data extracted from third-part proxy-voting provider ISS in the period to 31 December 2022. LGIM also used ISS's electronic voting platform. LGIM makes all voting decisions and does not outsource the strategic decisions to ISS.

Engagement activity

Summary of engagement activity with investment managers

The Scheme's investment advisors, on behalf of the Trustee, monitors the three investment managers continuously.

The managers are rated as follows:

Fund manager	Overall rating	RI rating
LGIM Future World Global Equity Index	Preferred	Strong
LGIM Active Corporate Bond	Positive	Strong
M&G Credit Opportunities	Preferred	Good
Barings Global High Yield Credit Strategies	Preferred	Good

The Trustee also holds meetings with their investment managers on a regular basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has met with LGIM, discussing the following issues over the course of the year.

Date	Fund manager	Subject discussed	Outcome
22 February 2022	LGIM	Active Corporate Bond – All Stocks - Fund	LGIM presented information to the Trustee about the management of the Fund and their responsible investment targets. They discussed portfolio positioning, performance, market outlook, and their approach

			<p>to balancing stock value with ESG credentials.</p> <p>The Trustee were happy with how LGIM are performing. However, the Trustee felt LGIM did not adequately address their brief.</p> <p>After the meeting, LGIM provided more detailed information about their ESG framework and shared notes on example case studies.</p>
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The Trustee has since met Barings in Q1 2023.

Summary of engagement activity with companies

The following table summarises the key engagement activity, held by the investment managers with companies and stakeholders, for the 12 month period ending 31 December 2022.

Manager/ Fund	Number of engagements relating to topic
LGIM LGIM Future World Global Equity Index Fund LGIM Active Corporate Bond – All Stocks - Fund	Across all funds over 2022, LGIM carried out 1308 engagements with 1008 companies. Engagements primarily focused on climate change, board composition, remuneration, gender diversity and strategy. The main method of engagement was written engagements.
Barings Barings Global High Yield Credit Strategies Fund	Over 2022, at Barings' Fixed Income Platform level where the Global High Yield credit Strategy sits, the manager carried out 476 engagements with 292 companies. Engagements primarily focused on climate change, strategy and reporting, as well as broader environmental, governance and social issues.
M&G M&G Credit Opportunities Fund IV	Data on M&G's engagement activity is available quarterly. The M&G ABS team carried out 2 engagements over 2022 concerning emissions disclosure.

Examples of engagement with companies

LGIM

In 2022, LGIM reviewed their net zero guides and strengthened their expectations to reflect the latest analysis. LGIM have expanded their climate engagement programme, the Climate Impact Pledge. They have increased their expectations and red lines for companies with a goal of accelerating progress towards net zero greenhouse gas emissions globally. They have increased the number of sectors it covers from 15 to 20, increased portfolio emissions disclosures, covering over 5,000 companies and increased their direct engagement to over 100 companies.

In 2020, LGIM launched a campaign to engage with the largest 100 companies in the UK and the largest 500 companies in the US on ethnic diversity at board level. Their request was simple: that companies should have ethnically diverse representation at board level by 2021, or face voting sanctions. Of the 79 companies with whom they engaged due to them not meeting their expectations, they ultimately only voted against one US company. But there is still progress to be made – due to turnover during the year and new board appointments, several new companies have been flagged as having no ethnic diversity. There are six companies within the FTSE 100 and S&P 500 that currently do not have any ethnicity on the board, and voting sanction will be applied at the 2023 AGM if progress is not made.

They have also widened our scope for this campaign and plan to engage those companies failing to meet their minimum expectations within the broader FTSE 250 and Russell 1000 indices. Their expectation for the companies in these additional indices is identical but, in line with the UK's Parker Review, they allow these smaller companies more time to meet their expectations and will therefore expect compliance by 2024.

Barings

As part of Barings' ESG analysis, it was identified that Refresco, a soft drinks manufacturer in their portfolio, could enhance its approach to overseeing its value chain to manage potential environmental impact.

In a recent meeting with Refresco's senior management, Barings actively encouraged the company to enhance its monitoring of the supply chain, particularly in relation to imported food ingredients, as well as to advance recycling initiatives in its end markets and optimise the mix of recycled materials in its production processes. Throughout this engagement, the company has been open to feedback.

Following the engagement, the company has forged a collaborative partnership to produce plant-based and recyclable PEF bottles. Additionally, they have co-initiated an industry platform aimed at improving transparency and traceability for sustainable juice products. As a result of these initiatives, Barings has increased its internal ESG outlook rating to "Improving".

M&G

M&G continues to work with peers and industry trade bodies to influence better ESG behaviour and outcomes. In the RMBS, Auto & Consumer ABS space they have been involved in with AMIC and AFME to influence companies to provide better ESG disclosure in new issue meetings. The result has been a standardised ESG questionnaire, which incorporates a lot of their in-house developed ESG questionnaire, that issuers can complete in conjunction with new issue transactions.

In the leveraged loan and CLO sector M&G has steered ELFA on 2 working groups. One to set a "Best Practise Guide on Manager Disclosure of Corporate ESG Profiles and Internal ESG Frameworks". Through this they hope to set the minimum standards with respect to disclosure and influence better ESG behaviour. The second working group is in relation to "Standardisation of ESG related Data Reporting" with the goal of increasing loan level reporting on negative screening and carbon emissions / footprint. In the commercial property sector they have been involved in ESG workstreams with CREFC to improve valuation report disclosure and set a minimum ESG charter with respect to environmental reporting.

Review of policies

Managers responsible investment and voting policies are reviewed on a periodic basis by the investment advisors, as well as compliance with these policies.

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.