

Implementation Statement, covering the Plan Year from 1 April 2022 to 31 March 2023

The Trustees of the Spirent Communications Plc Staff Pension & Life Assurance Plan (the “Plan”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Plan Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by](#) the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

1. Introduction

The Trustees reviewed and updated the SIP in December 2022, although no changes were made to the voting and engagement policies in the SIP as part of this review. The last time these policies were formally reviewed was July 2019, when the Trustees included their policies on financially material considerations (including ESG issues and climate change), the extent to which non-financial matters are considered and stewardship practices.

The Trustees have, in their opinion, followed the Plan’s voting and engagement policies during the Plan Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Plan’s existing managers and funds over the Plan Year, as described in Section 2 and 3 below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Plan’s investment adviser, LCP, incorporates in its investment manager rankings an assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations). Should the Investment Adviser become concerned about the way in which the investment managers were conducting RI they would notify the Trustees and suggest a course of action to take, which may include more detailed engagement with a manager to improve its policies or possibly to review the manager.

The Trustees entered into a bulk annuity contract with PIC in November 2022. In selecting and appointing the bulk annuity provider, the Trustees reviewed LCP’s RI and ESG assessments of the shortlisted providers as one of the metrics considered in the selection process.

The Trustees received training at the March 2023 Trustee meeting following the introduction of the DWP’s guidance, and the Trustees discussed whether to set stewardship priorities intended to focus engagement with their investment managers on specific ESG factors. The Trustees decided not to set stewardship priorities at the current time.

3. Description of voting behaviour during the Plan Year

All of the Trustees’ holdings over the year in listed equities were held within pooled funds and the Trustees delegated to their investment managers the exercise of voting rights. Therefore, the Trustees were not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Plan Year.

Over the Plan Year the Trustees entered into a bulk annuity policy with the Pension Insurance Corporation in November 2022 to secure the Plan’s promised DB benefits. The Plan’s remaining assets are held in the LGIM Sterling Liquidity Fund. Neither of these assets confer voting opportunities, hence we have not included information on them in the Statement.

However, the Plan held funds which invested in equities during the Plan year. Therefore in this we have included data on the Plan’s funds that held equities up to the date of divestment. These funds were as follows:

- LGIM World Equity Index Fund;
- LGIM World Equity (GBP hedged) Index Fund; and
- LGIM Diversified Fund.

The Plan also held further investments with Insight and LGIM in a range of Liability Driven Investment, investment-grade corporate bond, asset-backed securities and liquidity funds over the Plan Year. These assets do not confer voting rights, hence we have not included information on them.

3.1 Description of the voting processes

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. Its voting policies are reviewed annually and takes into account feedback from clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. Its use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, it 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 it 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. It has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform it of rejected votes which require further action.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association guidance in respect of the same.

3.2 Summary of voting behaviour over the Plan Year

A summary of voting behaviour over the Plan Year is provided in the table below. Note that the Plan fully redeemed its holdings in the LGIM equity funds and LGIM Diversified Fund over May and September 2022 respectively. As such we have shown information over the 12 months to the date of disinvestment, rather than over the Plan year. Information for the LGIM World Equity Index and LGIM World Equity (GBP Hedged) Index funds are as at 30 September 2022 and information for the LGIM Diversified Fund is as at 30 June 2022. As LGIM is only able to provide information quarterly, these breakdowns are the closest to the dates of disinvestment that LGIM could provide.

	LGIM World Equity Index Fund (as at 30 September 2022)	LGIM World Equity (GBP Hedged) Fund (as at 30 September 2022)	LGIM Diversified Fund (as at 30 June 2022)
Total size of fund around the date of disinvestment	£2.1bn	£1.9bn	£11.5bn

Number of equity holdings around the date of disinvestment	2,642	2,642	7,183
Number of meetings eligible to vote	3,175	3,175	9,490
Number of resolutions eligible to vote	38,715	38,715	97,430
% of resolutions voted	99.8%	99.8%	99.6%
Of the resolutions on which voted, % voted with management	78.9%	78.9%	77.5%
Of the resolutions on which voted, % voted against management	20.4%	20.4%	21.8%
Of the resolutions on which voted, % abstained from voting	0.8%	0.8%	0.8%
Of the meetings in which the manager voted, % with at least one vote against management	75.1%	75.1%	71.3%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	14.3%	14.3%	12.7%

3.3 Most significant votes over the Plan Year

We set out below a selection of the most significant votes cast by the Plan's asset managers who held listed equities over the Plan Year. We have interpreted "significant votes" to incorporate:

- Potential impact on financial outcome on future company performance;
- Potential impact on the Plan's stewardship objectives;
- Size of holding in the fund/mandate
- Whether the vote was high-profile or controversial, that could be based on level of media interest; level of political or regulatory interest; level of industry debate; and
- Where the manager was subject to a conflict of interest.

LGIM

The votes below are in relation to companies held by all three of the funds held by the Plan which invest in equities: the LGIM Diversified Fund, LGIM World Equity Index Fund and LGIM World Equity (GBP hedged) Index Fund.

LGIM has not provided specific next steps in relation to the votes listed, however all decisions regarding voting and future engagement with companies are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of LGIM's stewardship team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant companies. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies. LGIM has also not provided information on management's recommendation for each vote so we have not included this in the Statement.

- **Alphabet Inc, June 2022. Vote:** For. **Outcome of the vote:** Against.

Summary of resolution: Vote to report on physical risks of climate change.

Rationale for the voting decision: LGIM voted in favour of this proposal as LGIM expects their portfolio companies to be taking sufficient action on the key issue of climate change.

Approximate size of the mandate's holding at the date of the vote: 1.2%

The reason the vote was considered to be "most significant": This vote is considered significant as it is an escalation of LGIM's climate-related engagement and their public call for high quality and credible transition plans to be subject to a shareholder vote.

- **NVIDIA Corporation, June 2022. Vote:** Against **Outcome of the vote:** For.

Summary of resolution: Vote to elect director Harvey C. Jones.

Rationale for the voting decision: LGIM voted against for diversity purposes – they expect their portfolio companies to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM also voted against as they expect a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

Approximate size of the mandate's holding at the date of the vote: 0.8%

The reason the vote was considered to be "most significant": This vote is considered significant as LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on behalf of clients.

- **Meta Platforms Inc, May 2022. Vote:** For. **Outcome of the vote:** Against.

Summary of resolution: Vote to require an independent board chair.

Rationale for the voting decision: LGIM voted in favour as they expect their portfolio companies to establish the role of independent board chair.

Approximate size of the mandate's holding at the date of the vote: 0.7%

The reason the vote was considered to be "most significant": This vote is considered significant as it is an escalation of LGIM's vote policy on the topic of the independence of the board chair and CEO.

- **Rio Tinto Plc, April 2022. Vote:** Against. **Outcome of the vote:** For.

Summary of resolution: Vote to approve climate action plan.

Rationale for the voting decision: LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030. However, they voted against the company's climate action plan as they 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.

Approximate size of the mandate's holding at the date of the vote: 0.1%

The reason the vote was considered to be "most significant": This vote is considered significant as it is an escalation of LGIM's climate-related engagement and their public call for high quality and credible transition plans to be subject to a shareholder vote.

- **LVMH Moet Hennessy Louis Vuitton SE, April 2022. Vote:** Against. **Outcome of the vote:** For.

Summary of resolution: Vote to re-elect Bernard Arnault as director.

Rationale for the voting decision: LGIM voted against as they expect their portfolio companies to retain independence in the roles of board chair and CEO.

Approximate size of the mandate's holding at the date of the vote: 0.1%

The reason the vote was considered to be "most significant": This vote is considered significant as it is an escalation of LGIM's vote policy on the topic of the independence of the board chair and CEO.