

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

The Trustees of the Spirent Communications Plc Retirement Cash and Life Assurance Plan (the “Plan”) is required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles (“SIP”) during the Plan Year, as well as (i) details of any review of the SIP during the Plan Year, (ii) any subsequent changes made with the reasons for the changes, and (iii) the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 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 information is provided in Section 9 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.

This Statement is based on and uses the same headings as the Plan’s latest SIP dated September 2020 and should be read in conjunction with the SIP.

1. Introduction

No formal review of the SIP was undertaken during the Plan Year. The last time the SIP was formally reviewed was September 2020.

The Trustees have, in their opinion, followed the policies in the Plan’s SIP during the Plan Year. The following Sections provide detail and commentary about how and the extent to which they have done so.

2. Investment objectives

No formal review of the Plan’s investment objective was undertaken during the Plan year. The Trustees recognise that the key investment objective for the Plan is to ensure that the Plan has sufficient assets to make provisions for 100% of its liabilities, taking into consideration that many members are moderately close to retirement, whilst investing with a balanced aim to maximise members’ benefits. The Trustees consider that their investment strategies continue to align with this investment objective.

No formal review of the Plan’s default investment arrangement was undertaken during the Plan year, with the last formal review having taken place in March 2017. As part of the that formal performance and strategy review of the default investment arrangement, the Trustees considered the membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme. Based on the outcome of this analysis, the Trustees concluded that the default investment arrangement has been designed to be in the best interests of the majority of the relevant members participating in the default investment arrangement and reflects the demographics of those members.

The Trustees review the membership demographics of the Plan, and any material changes in respect of the same, on a triennial basis, or more frequently if required. The Trustees reviewed the membership demographics as part of the review of the Plan’s default investment arrangement in March 2017.

3. Investment strategy

The Trustees, with the help of its advisers, monitor the Plan’s investment strategy and performance of the default investment arrangement on an ongoing basis at the Trustees’ quarterly meetings. The Trustees have concluded that the strategy remains appropriate for the Plan.

As part of their review the Trustees made sure the Plan’s investment strategy and default investment arrangement was adequately and appropriately diversified between different asset classes. There were no changes to the investment strategy over the year, with the Plan invested in a combination of equities, gilts and cash.

The Trustees reviewed the retirement data provided in the Plan's administration reports to see how members access their benefits on a quarterly basis and took this into consideration as part of their investment strategy review.

4. Considerations in setting the investment arrangements

The Trustees last formally reviewed their investment beliefs, as set out in the SIP, in July 2019. As part of this, the Plan's investment adviser held an Environmental, Social and Governance ("ESG") training session to discuss the options available to the Trustees and the Trustees reconsidered their investment beliefs. As a result of this review, the Trustees updated the investment beliefs in the SIP to include their policies on their approach to financially material considerations (including ESG issues and climate change) and the extent to which non-financial matters are considered and stewardship practices.

The Trustees invest for the long term, to provide for the Plan's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustees therefore consider instances where managers' stewardship¹ activities are aligned to the creation of long-term value and the management of long-run systemic risks. All of the Plan's investment managers are signatories to the UK Stewardship Code.

The investment adviser monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of regarding the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification in the fund.

The Trustees monitor the performance of the Plan's investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report shows the performance of each fund over the (a) the quarter, (b) one year and (c) three years. Performance is considered in the context of the manager's benchmark and objectives. The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustees maintain a risk register and this is discussed at quarterly meetings.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the investment adviser or information provided to the Trustees by the Plan's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and ESG (including climate) risks.

With regard to the risk of inadequate returns, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The Plan invests in bond funds to broadly match pensioner liabilities and in equities and cash for non-pensioner liabilities.

Together, the investment and non-investment risks set out in the SIP risks give rise generally to funding risk. The Trustees formally review the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the funding position allowing for membership and other experience. The following risks are covered earlier in this Statement: diversification risk in sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

5. Implementation of the investment arrangements

The Trustees have not made any changes to its manager arrangements over the Plan Year.

¹ The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Trustees were comfortable with all of their investment manager arrangements over the course of the Plan Year.

The Trustees undertook a “value for members” assessment in June 2022 over the Plan Year which assessed a range of factors, including the fees payable to managers in respect of the AVCs which were found to be reasonable when compared against Schemes with similar sizes of mandates. Overall, the Trustees believe the investment managers provide reasonable value for money.

The Trustees reviewed the DC arrangements in March 2017 and similarly concluded that the investment managers provide reasonable value for money.

6. Realisation of investments

The Trustees review the Plan's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

It is the Trustees' policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the funds which the Plan is invested are daily priced.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the investment adviser 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).

The Trustees received further training in March 2023 covering the DWP's new stewardship guidance issued in June 2022 and actions Trustees should be working towards.

8. Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustees take ownership of the Scheme's stewardship by monitoring and engaging with managers as necessary.

As part of its advice on the selection and ongoing review of the investment managers, the investment adviser, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

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, which would be intended to focus engagement with their investment managers on specific ESG factors. The Trustees decided not to set specific stewardship priorities at the current time.

The Trustees regularly invite the Plan's investment managers to present at Trustee meetings.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

The Trustees also regularly review reports from its managers on voting and engagement activities undertaken on its behalf.

9. Description of voting behaviour during the Plan Year

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

In this section we have included voting data in relation to the equity funds in which the Plan is invested:

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

The Trustees have sought to obtain the relevant voting data from the investment managers in respect of the funds listed above.

The Plan holds further investments with Insight and LGIM in bond and liquidity funds. Holdings in these funds do not confer voting opportunities, hence they have not been included within this Statement.

9.1 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 ("IVIS") 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.

9.2 Summary of voting behaviour over the Plan Year

A summary of voting behaviour over the period is provided in the table below.

	LGIM World Equity Index Fund	LGIM World Equity (GBP Hedged) Index Fund
Total size of fund at end of the Plan Year	£46.4m	£23.1m
Value of Plan assets at end of the Plan Year (£ / % of total assets)	£2.4m (33%)	£1.9m (26%)
Number of equity holdings at end of the Plan Year	3,309	3,309
Number of meetings eligible to vote	3,145	3,145
Number of resolutions eligible to vote	38,823	38,823
% of resolutions voted	99.9%	99.9%

Of the resolutions on which voted, % voted with management	78.8%	78.8%
Of the resolutions on which voted, % voted against management	20.5%	20.5%
Of the resolutions on which voted, % abstained from voting	0.7%	0.7%
Of the meetings in which the manager voted, % with at least one vote against management	75.6%	75.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	14.4%	14.4%

9.3 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 hold 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 both of the funds held by the Plan which invest in equities: the LGIM World Equity Index Fund and the 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 was 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 expects 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 was 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.

- **McDonald’s Corporation, May 2022. Vote:** For. **Outcome of the vote:** Against.

Summary of resolution: Vote to report on public health costs of antibiotic use and impact on shareholders.

Rationale for the voting decision: LGIM voted for as they believe antimicrobial resistance (AMR) to be a financially material issue for the company and stakeholders, and that AMR could prompt the next global health crisis. They believe the proposed report will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company’s supply chain and its impact on global health, with a particular focus on the systemic implications.

Approximate size of the mandate’s holding at the date of the vote: 0.3%

The reason the vote was considered to be “most significant”: This vote is considered significant as AMR is a key focus of the LGIM Stewardship team’s engagement strategy.

- **Royal Dutch Shell Plc, May 2022. Vote:** Against. **Outcome of the vote:** For.

Summary of resolution: Vote to approve the Shell energy transition progress update.

Rationale for the voting decision: LGIM acknowledge the substantial progress made by Shell 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, LGIM voted against as they remain concerned of the disclosed plans for oil and gas production, and would like to see further disclosure of targets associated with the upstream and downstream businesses.

Approximate size of the mandate’s holding at the date of the vote: 0.3%

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.