



# EQUANS Defined Benefit Pension Scheme Implementation Statement

31 December 2024

# Background and Implementation Report

## Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

## Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address [Pensions | EQUANS UK & Ireland](#)

There have been no changes to the SIP over the year to 31 December 2024.

The Implementation Report details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 December 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

## Summary of key actions undertaken over the Scheme reporting year

- Over the reporting period, the Trustee agreed to increase the liability hedge from c.85% to c.95% of assets. This reflects the Trustee's pragmatic approach to capturing and protecting funding level improvements, where feasible.

### **Implementation Statement**

This report demonstrates that the EQUANS Defined Benefit Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

**Signed: Trustee of the EQUANS Defined Benefit Pension Scheme**

**Date:**

# Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Financial mismatch	The risk that the Scheme's assets fail to grow in line with the developing cost of meeting the liabilities.	The Trustee has set a strategic benchmark for the Scheme. The Trustee assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. The Trustee also assesses risk relative to liabilities by monitoring the delivery of returns relative to liabilities.	There have been no changes to this policy over the reporting year.
Changing demographics	The risk that longevity improves and other demographic factors change, increasing the cost of the Scheme's benefits.	The Trustee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations and the Trustee may enter into insurance contracts to reduce these demographic risks.	There have been no changes to this policy over the reporting year.
Systemic	The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities.	The Trustee seeks to mitigate systemic risks through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.	There have been no changes to this policy over the reporting year.
Concentration	The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.	The Trustee provides a practical constraint on the Scheme's investments deviating greatly from the intended approach by investing in a range of investment mandates each of which has a defined	There have been no changes to this policy over the reporting year.

Liquidity	The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.	objective, performance benchmark and manager process which, taken in aggregate, constrain risk within expected parameters.	
Currency	The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities)	By investing across a range of assets, including quoted equities and income strategies, the Trustee recognises the need to access funds in the short term to pay benefits. For some asset classes (e.g. equities), the risk of manager underperformance is mitigated by the inclusion of passive investment mandates within the investment portfolio.	
Manager underperformance	The failure by the fund managers to achieve the rate of investment return assumed in settling their mandates.	In appointing several investment managers, the Trustee has considered the risk of underperformance by any single investment manager.	
Environmental, Social and Governance	The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.	The Trustee does not expect managers to take excessive short-term risk and monitors the managers' performance against the benchmarks and objectives set on a short, medium and long-term basis.	
Climate	The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.		
Transition	The risk of incurring unexpected costs in relation to the transition of assets among managers.	The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointment investment managers as appropriate (e.g. custody risk in relation to pooled funds). When carrying out significant transitions, the Trustee seeks professional advice.	There have been no changes to this policy over the reporting year.
Custody	The risk of loss of the Scheme's assets or loss of economic rights to Scheme assets when held in custody or when being traded.		
Credit default	The possibility of default of a counterparty in meeting its obligations.		

# Current ESG policy and approach

The Trustee considers that factors such as environmental, social and governance (ESG) issues may be financially material for the Scheme over the long-term.

## **Stewardship**

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

## **Voting and engagement**

The Trustee has adopted a policy of delegating voting decisions on stocks to its investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee will monitor investment managers' voting policies and activity and may periodically review managers' voting patterns. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

The Trustee does not engage directly but believes it is sometimes appropriate for its investment managers to engage with key stakeholders relating to their investments in order to consider the management of conflicts of interest and to improve corporate behaviours, improve performance and mitigate financial risks.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

## **Monitoring**

The Trustee aims to engage with all its investment managers on a periodic basis. The Trustee provides its managers with an agenda for discussion, including, where appropriate, ESG issues.

# Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category covering the reporting year up to 31 December 2024. Please note that not all categories sum to the number of total engagements, as some engagements covered more than one ESG area.

Fund name	Engagement summary	Commentary
<b>LGIM</b> Global Equity Index	<p>Total engagements: 2,791 Number of entities engaged: 1,282</p> <p>Environmental: 1,488 Of which relating to Climate Impact Pledge: 1,026</p> <p>Social: 532 Of which relating to Human Rights: 282</p> <p>Governance: 525 Of which relating to Remuneration: 139</p> <p>Other: 246 Of which relating to Corporate Strategy: 170</p>	<p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p> <p>While LGIM engages in numerous ESG-related activities, they are unable to provide specific examples of their ESG engagements. Isio are working with LGIM to find ways of improving their engagement reporting.</p>
<b>LGIM</b> Active Corporate Bonds	<p>Total engagements: 225 Number of entities engaged: 56</p> <p>Environmental: 95 Of which relating to Energy: 11</p> <p>Social: 33 Of which relating to Lobbying and Political Donations: 3</p> <p>Governance: 56 Of which relating to Capital Management: 16</p> <p>Other: 41 Of which relating to Company Disclosure &amp; Transparency: 9</p>	<p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p> <p>While LGIM engages in numerous ESG-related activities, they are unable to provide specific examples of their ESG engagements. Isio are working with LGIM to find ways of improving their engagement reporting.</p>
<b>LGIM</b> LDI	<p>This data was requested from the manager; however, the manager is currently unable to produce this level of reporting due to the nature of the mandate.</p>	<p>LGIM actively engage with market participants and public bodies to discuss governance issues such as effective risk management and climate change.</p>

<p><b>LGIM</b> Sterling Liquidity Fund</p>	<p>Total engagements: 41 Number of entities engaged: 20</p> <p>Environmental: 28 Of which relating to Climate Impact Pledge: 19</p> <p>Social: 3 Of which relating to Gender Diversity: 1</p> <p>Governance: 9 Of which relating to Capital Management: 6</p> <p>Others: 1 Of which relating to Regulation: 1</p>	<p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p> <p>While LGIM engages in numerous ESG-related activities, they are unable to provide specific examples of their ESG engagements. Isio are working with LGIM to find ways of improving their engagement reporting.</p>
<p><b>Barings</b> Global High Yield Credit</p>	<p>Total engagements: 163 Number of entities engaged: 84</p> <p>Environmental: 55 Of which relating to Climate change: 37</p> <p>Social: 31 Of which relating to Human and labour rights: 16</p> <p>Governance: 2 Of which relating to Board effectiveness: 2</p> <p>Strategy, Financial and Reporting: 75 Of which relating to Reporting: 42</p>	<p>Barings takes an active management approach to ESG topics. The Global High Yield Credit team engages with management and sponsors during the initial due diligence stage of analysis and post-investment as part of on-going monitoring.</p> <p>Examples of significant engagements include:</p> <p><b>Global Tugboats Business</b> – Barings engaged with the CEO and CFO regarding emissions reduction as their due diligence highlighted areas of potential improvement on environmental topics. Barings requested that the company continues to work with port authorities to install electric charging points across the port network to reduce idling emissions. They also encouraged the company to explore options for use of lower emission fuel types on new and existing vessels. Barings will continue engaging with the company on a regular basis regarding these topics.</p> <p><b>Global Monitored Alarms Business</b> – Barings engagement with the senior management team to discuss the company's environmental footprint as the company's operating model requires the operation of a large vehicle fleet for both installation and servicing of local alarm systems. The company made good progress on remote connectivity requiring fewer in-person visits, however only limited progress has been made in modernising and electrifying the vehicle fleet to reduce emissions. Following the engagement, the company has committed to additional communication with stakeholders on the topic of fleet emissions reduction.</p>

# Voting

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf. The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2024. The Trustee has adopted the managers' definition of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and the Trustee has shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, via their investment consultant, the Trustee informs their managers what they deem most significant.

Fund name	Voting summary	Examples of most significant votes	Commentary
LGIM Global Equity Index	Votable Proposals: 55,469	Example of significant engagements include:	LGIM's Investment Stewardship team manage the voting and engagement across all funds, leveraging all possible capital to maximise effectiveness.
	Proposals Voted: 99.8%	<b>Microsoft Corporation</b>	
	For votes: 80.9%	<b>Date of vote:</b> 10 <sup>th</sup> December 2024	LGIM produce an annual Active Ownership report to summarise how they have worked towards creating sustainable value for clients.
	Against votes: 18.2%	<b>Percentage of fund's holding:</b> c.4.9%	
	Abstain votes: 0.9%	<b>Summary:</b> LGIM voted in line with the shareholder resolution to report on AI Data Sourcing Accountability as the company was facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. Shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models. The shareholder resolution did not pass.	LGIM use Institutional Shareholder Services (ISS), an electronic voting platform, to access voting research and to execute their vote instructions. All voting decisions are made by LGIM.
		<b>Apple Inc.</b>	
		<b>Date of vote:</b> 28 <sup>th</sup> February 2024	
		<b>Percentage of fund's holding:</b> c.4.5%	
		<b>Summary:</b> LGIM voted against the shareholder resolution to report on risks of omitting viewpoint and ideological diversity from EEO Policy as they believed that the company provides shareholders with sufficient disclosure around its diversity and inclusion efforts and discrimination policies. The shareholder resolution did not pass.	

