

# Leggett & Platt UK Pension and Assurance Scheme

## Annual Engagement Policy Implementation Statement to 5 April 2025

### 1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the 12-month period to 5 April 2025 (the “**Scheme Year**”). This Statement has been produced in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and subsequent amendments; and the statutory and non-statutory guidance from the Department of Work and Pensions.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Scheme Year, which was the SIP dated July 2023. An online version of the SIP can be accessed [here](#).

### 2. Statement of Investment Principles

#### 2.1. Investment Objectives of the Scheme

To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have adopted the following objectives:

- To meet the obligations of the beneficiaries of the Scheme.
- To pay due regard to the interests of the sponsoring Company in the size and incidence of the sponsoring Company’s contribution payments.
- To provide benefits in full as they fall due and reduce the dependency of the Scheme on excess investment return.

The Trustees are aiming to maintain a funding level of, or in excess of, 100% on an ongoing basis through the adoption of a prudent funding and investment strategy. The aim will be to take on any investment risk in a controlled way. In addition to this, as the funding position improves, the aim is to gradually reduce the level of investment risk taken such that over the longer term the majority of the investment risk should be removed and the funding position restored.

#### 2.2. Review of the SIP

During the 12 months period to 5 April 2025, no changes were made to the Scheme’s SIP.

#### 2.3. Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustees’ policy on Environmental, Social and Governance (“ESG”) factors, stewardship and climate change. This policy sets out the Trustees’ beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees believe that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given the appointed investment manager, LGIM, full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring the existing investment manager. Monitoring is undertaken on a regular basis.

Member views are not taken into account in the selection, retention and realisation of investments.

The Trustees have not set any investment restrictions on the investment manager in relation to particular products or activities.

### **3. Engagement Activity**

#### **Monitoring and implementation**

- The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment manager. Over the year, no changes were made to the Scheme's strategic asset allocation.
- As part of the monitoring process, the Trustees consider the ESG ratings provided by Mercer and how the investment manager embeds ESG factors into its investment process. A change in ESG rating (or lack of ESG rating) does not mean that the fund will be removed or replaced automatically but the Trustees will discuss rating changes and decide if any action should be taken.
- The Manager will be expected to report on their own ESG policies as and when requested by the Trustees.
- Over the year to 5 April 2025, the Trustees did not engage with the investment managers on matters related to ESG, climate change or stewardship.

#### **Stewardship**

- Over the period, the Trustees did not set any investment restrictions on the appointed investment manager in relation to particular products or activities.

### **4. Voting Activity**

The Trustees have delegated their voting rights to the investment manager. The Trustees expect that the votes attached to the Scheme's holdings are exercised whenever practical by the Scheme's investment managers and that managers should engage with the companies in which they have invested with the aim of ensuring ESG factors, including climate change considerations are properly taken into account in the companies' business strategies.

The Trustees meet with the investment managers at Trustee meetings as required and may challenge decisions made including engagement activity.

The Voting and Engagement policies and activities of the Scheme's investment manager is most relevant for the mandates where equities are held directly in the LGIM FTSE RAFI Equity Index and indirectly through the LGIM DGF.

- The Trustees receive investment manager performance reports on a 6 monthly basis from LGIM, which presents performance information over the 3 month, 6 month, 1 year, 3 year and since inception periods. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated tracking error (over the relevant time period). If the manager is not meeting their investment objectives for the mandate or have changed their objectives, the Trustees may review the mandate including the annual management charge levied by the manager.

- LGIM will prepare quarterly reports to the Trustees including: valuation of all investments held on behalf of the Scheme; records of all transactions together with a cash reconciliation; review of the recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy.
- The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers and monitoring the existing investment manager. Monitoring is undertaken on a regular basis.

The Trustees do not use the direct services of a proxy voter.

LGIM take the responsibility to exercise the voting rights of their clients' assets very seriously. They direct the vote of a significant proportion of a company's shares by exercising the shareholder rights of almost all their clients in order to improve the effectiveness of voting in supporting their engagement activities and bringing about change in the market as a whole. LGIM are wholly committed to using their power to encourage companies to improve their management of ESG issues, and they continue to dedicate significant resources to their stewardship obligations.

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 they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.

### Significant Votes

The Trustees annually look at the significant votes of the underlying holdings of the Scheme. The Trustees have decided to consider the following areas of focus for the Scheme, aligned with United Nations Sustainable Development Goals ("SGDs"):

- **Climate change:** low-carbon transition and physical damages resilience
- **Pollution & natural resource degradation:** air, water, land (forests, soils and biodiversity)
- **Human rights:** modern slavery, pay & safety in workforce and supply chains and abuses in conflict zones
- **Diversity, Equity and Inclusion ("DEI"):** inclusive & diverse decision making

As part of this monitoring, the Trustees will engage with the Scheme's investment managers where appropriate to understand the activity undertaken in relation to these topics, for the 10 largest holdings of the funds with voting rights attached.

Over the last 12 months, the key voting activity within each mandate is set out below:

#### LGIM FTSE RAFI Equity Index

- There were 38,030 resolutions that LGIM were eligible to vote over the 12 month period, of which, LGIM voted at c. 99.71% of these.
- Of LGIM's total number of votes, c. 80% were votes with management and c. 19% were against management. There was a small portion of abstained votes (<2%).
- Below is a list of the voting activity the Trustee deemed as significant:

| Company                 | Portion of Fund (%) | Date of vote | How the Manager voted   | Rationale of Manager vote   | Final outcome            | Why Vote is Significant  |
|-------------------------|---------------------|--------------|---|---|--------------------------|--|
| Alphabet Inc.           | 1.53%               | 7 June 2024  | LGIM voted <b>AGAINST</b> the election of Director John L. Hennessy                       | Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.   | Resolution <b>passed</b> | The Trustees have deemed votes related to <b>Diversity, Equity and Inclusion</b> to be a significant vote. |
| Shell Plc               | 1.04%               | 21 May 2024  | LGIM voted <b>AGAINST</b> the Approval of the Shell Energy Transition Strategy            | Climate change: A vote against is applied. LGIM acknowledges the substantive progress the company has made in respect of climate related disclosure over recent years, and LGIM views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, LGIM seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, LGIM would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shells decarbonization strategy. | Resolution <b>passed</b> | The Trustees have deemed votes related to <b>Climate Change</b> to be a significant vote.                  |
| Exxon Mobil Corporation | 1.01%               | 29 May 2024  | LGIM voted <b>AGAINST</b> revisiting Executive Pay Incentives for GHG Emission Reductions | Shareholder Resolution - Climate change: A vote against is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.   | Resolution <b>failed</b> | The Trustees have deemed votes related to <b>Climate Change</b> to be a significant vote.                  |
| Meta Platforms, Inc.    | 0.98%               | 29 May 2024  | LGIM voted <b>AGAINST</b> the election of Director Peggy Alford                           | Shareholder Resolution - Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.  | Resolution <b>passed</b> | The Trustees have deemed votes related to <b>Diversity, Equity and Inclusion</b> to be a significant vote. |

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| Amazon.com, Inc.            | 0.91% | 22 May 2024   | LGIM voted <b>FOR</b> the Report on Customer Due Diligence  | Shareholder Resolution - Human Rights: A vote in favor is applied as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic. | Resolution <b>failed</b> | The Trustees have deemed votes related to <b>Human Rights</b> to be a significant vote.   |
| Wells Fargo & Company       | 0.83% | 30 April 2024 | LGIM voted <b>FOR</b> commissioning Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights | Shareholder Resolution - Labour rights: A vote in favour is applied as LGIM supports proposals that are set to improve human rights standards and employee policies because LGIM considers this issue to be a material risk to companies.   | Resolution <b>failed</b> | The Trustees have deemed votes related to <b>Human Rights</b> to be a significant vote.   |
| Bank of America Corporation | 0.82% | 24 April 2024 | LGIM voted <b>FOR</b> the report on Clean Energy Supply Financing Ratio   | Shareholder Resolution - Climate change: A vote in favour of this proposal is applied. LGIM believes that banks and financial institutions have a significant role to play in shifting financing away from a brown world to funding the transition to a green world. LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as LGIM considers this issue to be a material risk to companies.                                | Resolution <b>failed</b> | The Trustees have deemed votes related to <b>Climate Change</b> to be a significant vote. |

### LGIM Diversified Growth Fund

- There were 107,020 resolutions that LGIM were eligible to vote over the 12-month period, of which, LGIM voted at c. 99.77% of these.
- Of LGIM's total number of votes, c. 77% were votes with management and c. 22% were against management. There was a small portion of abstained votes (<2%).

| Company   | Portion of Fund (%) | Date of vote | How the Manager voted  | Rationale of Manager vote   | Final outcome            | Why Vote is Significant   |
|-----------|---------------------|--------------|--|---|--------------------------|---|
| Shell Plc | 0.33%               | 21 May 2024  | LGIM voted <b>AGAINST</b> the resolution to approve the Shell Energy Transition Strategy | Climate change: A vote against is applied. LGIM acknowledges the substantive progress the company has made in respect of climate related disclosure over recent years, and views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier | Resolution <b>passed</b> | The Trustees have deemed votes related to <b>climate change</b> to be a significant vote. |

|                    |       |                 |   |  |                          |   |
|--------------------|-------|-----------------|---|--|--------------------------|---|
|                    |       |                 |   | <p>exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, LGIM seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, LGIM would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonization strategy.</p> |                          |   |
| Toyota Motor Corp. | 0.31% | 18 June 2024    | <p>LGIM voted <b>AGAINST</b> the election of Elect Director Toyoda, Akio</p>              | <p>Diversity: A vote against is applied due to the lack of meaningful diversity on the board. Climate Impact Pledge: A vote against is warranted as LGIM believes there is still a disconnect in Toyota's stated climate ambitions and its current multi-pathway strategy. LGIM encourages Toyota to further develop disclosures that more clearly articulate how it intends to support a global transition to zero emission vehicles and net zero emissions.</p>  | Resolution <b>passed</b> | <p>The Trustees have deemed votes related to <b>Climate Change</b> and <b>Diversity, Equity and Inclusion</b> to be a significant vote.</p> |
| BHP Group Limited  | 0.23% | 30 October 2024 | <p>LGIM voted <b>FOR</b> the resolution to approve the Climate Transition Action Plan</p> | <p>Climate Change: The critical minerals that mining companies provide are essential to the energy transition. It is clear that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with LGIM's framework for assessing mining company transition plans. Therefore, LGIM will be supporting BHPs CTAP. Going forwards, LGIM will assess the disclosure of progress on BHPs plans for the development of a</p>  | Resolution <b>passed</b> | <p>The Trustees have deemed votes related to <b>Climate Change</b> to be a significant vote.</p>  |

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|                                |       |              |   | more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. LGIM will also continue to engage with BHP to ensure resilience whilst navigating the dynamic market for metallurgical coal.   |                          |  |
| National Grid Plc              | 0.23% | 10 July 2024 | LGIM voted <b>FOR</b> the resolution to approve the Climate Transition Plan | Climate Change: LGIM is voting in favor of the National Grid Climate Transition plan. LGIM commend the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science-based targets. LGIM also appreciate the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with SBTi regarding the decarbonisation of heating. | Resolution <b>passed</b> | The Trustees have deemed votes related to <b>Climate Change</b> to be a significant vote.                  |
| Apollo Global Management, Inc. | 0.21% | 24 June 2024 | LGIM voted <b>AGAINST</b> the election of Director A.B. Krongard            | Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.   | Resolution <b>passed</b> | The Trustees have deemed votes related to <b>Diversity, Equity and Inclusion</b> to be a significant vote. |
| Amazon.com, Inc.               | 0.21% | 22 May 2024  | LGIM voted <b>FOR</b> the Report on Customer Due Diligence                  | Human Rights: A vote in favor is applied as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic.    | Resolution <b>failed</b> | The Trustees have deemed votes related to <b>Human Rights</b> to be a significant vote.                    |

Prepared for and on behalf of the Trustees of the Leggett & Platt Pension and Life Assurance Scheme in May 2025.