
John Graham (Dromore) Ltd Pension & Life Assurance Scheme

Implementation Statement

For year ended 5 April 2023

Introduction

This statement has been prepared by the Trustees of the John Graham (Dromore) Limited Pension and Life Assurance Scheme (the "Scheme"), to demonstrate how the Trustees have acted on certain policies within their Statement of Investment Principles (SIP). This document is known as the Scheme's Implementation Statement.

Each year, the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Scheme year. This document covers the Scheme year from 6 April 2022 to 5 April 2023.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (DB) investments held by the Scheme. Note that this excludes any Additional Voluntary Contribution investments held by the Scheme.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP policies

This implementation statement should be read in conjunction with the Scheme's SIP covering the year under review, which gives details of the Scheme's investment policies along with details of the governance structure and objectives. The SIP was formally reviewed and updated in October 2022 to reflect the changes to the investment strategy as implemented in November 2021.

The Scheme's SIP includes policies on:

- How "financially material considerations" including environmental, social and governance (ESG) considerations, are taken into account when making investment decisions for the Scheme.
- The extent to which non-financial matters are taken into account in the investment decision-making process.
- Stewardship and voting policy, including details on monitoring and engaging with the investee companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance, ESG, capital structure and the management of actual or potential conflicts of interest).
- A policy on monitoring the Scheme's asset managers, particularly concerning financial arrangements and ESG factors.
- A policy covering the duration of arrangements with the Scheme's investment manager.

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Scheme year end and the extent to which the Trustees believe the policies have been followed.

Over the year to 5 April 2023 the Scheme held investments in pooled funds managed by Legal & General Investment Management ("LGIM" or the "Investment Manager").

The Trustees' policies on the exercise of voting rights and engagement activities related to their investments are detailed in Section 7: Arrangements with Investment Manager and Section 9: Environmental, social and governance (ESG) policies and stewardship in the SIP.

The Investment Manager is responsible for managing the Scheme's investments in accordance with the management agreements in place with the Trustees. The Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to these investments to the Investment Manager.

The Trustees expects the Investment Manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, and issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

Description of voting behaviour

The Scheme is invested in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Scheme sits with the Investment Manager. The Trustees' voting behaviour over the Scheme year is summarised below.

Over the year to 5 April 2023 the Scheme held the investments in the following pooled funds:

- LGIM All World Equity Index Fund (GBP Hedged);
- LGIM Over 15-year Gilts Index Fund;
- LGIM All Stocks Index-Linked Gilts Fund; and
- LGIM Buy & Maintain Credit Fund.

The Scheme was invested in two mandates where underlying assets carried voting rights – the LGIM All World Equity Index Fund (GBP Hedged) and LGIM Buy & Maintain Credit Fund. The following tables shows LGIM's voting summary covering the Scheme's investment in these funds.

Typically, LGIM do not produce voting data for fixed income funds, however the Buy and Maintain Fund was eligible to vote in two meetings over the year to 31 March 2023; the voting data is reported below.

Please note that LGIM only provide data to each quarter-end, as such the voting data provided is for the period to 31 March 2023 rather than the Scheme year-end of 5 April 2023 (with part-quarter data currently being unavailable).

LGIM All World Equity Index Fund (GBP Hedged)	1 April 2022 – 31 March 2023
Number of meetings LGIM was eligible to vote at over the year to 31/3/2023	6,728
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2023	68,320
Of the eligible resolutions, percentage that LGIM voted on	99.9%
Of the resolutions voted, percentage that LGIM voted with management	79.1%
Of the resolutions voted, percentage that LGIM voted against management	19.7%
Of the resolutions voted, percentage where LGIM abstained	1.2%
Percentage of eligible meetings where LGIM voted at least once against management	63.4%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	10.4%

Note totals may not sum due to rounding.

LGIM Buy and Maintain Credit Fund	1 April 2022 – 31 March 2023
Number of meetings LGIM was eligible to vote at over the year	2
Number of resolutions LGIM was eligible to vote on over the year	3
Of the eligible resolutions, percentage that LGIM voted on	100%
Of the resolutions voted, percentage that LGIM voted with management	100%
Of the resolutions voted, percentage that LGIM voted against management	0%
Of the resolutions voted, percentage where LGIM abstained	0%
Percentage of eligible meetings where LGIM voted at least once against management	0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	0%

Note totals may not sum due to rounding.

Proxy voting

The Trustees did not employ a proxy-voting service during the year under review.

LGIM votes by proxy as, given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Services' (ISS) electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service (IVIS). To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.

How voting and engagement policies have been followed

The Trustees intend to review and monitor the voting and engagement activity taken on their behalf on an annual basis as part of the preparation of this statement. The information published by the Investment Manager and summarised in this statement has provided the Trustees with comfort that the Investment Manager has voted on their behalf over the Scheme year to 5 April 2023.

As set out in the SIP, the Trustees expect LGIM to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments.

Details of specific voting and engagement topics are shown in the following table.

Voting and engagement topic	Policy followed in the opinion of Trustees?	Comments
Performance of debt or equity issuer	✓	The voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	The Trustees believe that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustees also believe that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration. LGIM has clear voting policies covering each of these topics and has acted on them throughout the Scheme year on behalf of the Trustees.
Capital structure	✓	LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance. For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.
Conflicts of interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not align remuneration with company performance.
Risks	✓	LGIM has clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors.
Corporate governance	✓	LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair. LGIM has reinforced their position on leadership structures across our stewardship activities such as via individual corporate engagements and director conferences.
Social and environmental impact	✓	LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change. LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.

Significant votes

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. LGIM has provided examples of what it believes to be the most significant votes cast on the Trustees behalf during the period for the LGIM All World Equity Index Fund – GBP Currency Hedged.

A large number of the most significant votes cast by LGIM related to the election of directors with the majority of instances being against such resolutions. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair noting the belief that the two roles are substantially different and require distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has adopted the view of voting against all combined board chair/CEO roles. During the Scheme year, LGIM participated in a number of related votes, including withholding from a vote electing Albert Bourla as Director of Pfizer Inc. due to their role as Chair and CEO of the company.

Another frequent topic was the issue of gender diversity at the board level or the lack of it. LGIM views gender diversity as a financially material issue with implications for the return on assets. LGIM seeks to engage with

companies on this issue. As an example, LGIM applies voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board.

In relation to climate change, during the period, LGIM voted for the setting of greenhouse gas emissions reduction targets by Exxon Mobil Corporation. LGIM expects companies to introduce credible transition plans, consistent with the Paris Agreement goals of limiting the global average temperature increase to 1.5 C.

Note that there were no significant votes made for the LGIM Buy and Maintain Credit Fund.

Engagement with investee companies

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not generally applicable for the Scheme's fixed income investments with LGIM. However, the Trustees expect the investment managers to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

LGIM actively engages with investee companies in writing, via conference call and at face-to-face meetings with management. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity, and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Over the 12 months to 31 March 2023, LGIM undertook 1088 engagements with 950 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 570 on environmental topics;
- 327 on social topics;
- 433 on governance issues; and
- 123 on other topics including finance and strategy.

The top five engagement topics were climate change, remuneration, board composition, strategy and climate impact pledges.

At a fund specific level, LGIM provided the following summary of engagements undertaken for the LGIM All World Equity Index Fund – GBP Currency Hedged and the LGIM Buy and Maintain Credit Fund, in the year to 31 March 2023.

	Total engagements	No. unique companies engaged	Environmental topics	Social topics	Governance topics	Other topics
LGIM All World Equity Index Fund (GBP Hedged)	668	442	360	205	249	95
LGIM Buy and Maintain Credit Fund	161	86	76	59	76	26

As at 5 April 2023, the Scheme held c. £5.7m in the LGIM Over 15 Year Gilts Index Fund as well as c. £1.9m in the LGIM All Stocks Index-Linked Gilts Fund. These investments are held with the purpose of reducing risk, by hedging the exposure to interest rate and inflation inherent in the Scheme's liabilities. While no investment manager can have significant impact on government policy, LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Extent to which the Trustees' policies have been followed during the year

Having reviewed the actions taken by LGIM on their behalf, the Trustees believe that their policies on stewardship and engagement have been implemented appropriately over the year and in line with their views. The Trustees will continue to monitor the actions taken on their behalf each year.

If the Investment Manager deviates substantially from the Trustees' stated policies, the Trustees will initially engage and discuss this with the Investment Manager, and if the Trustees still believe the difference between their policies and the investment manager's actions are material, the Trustees will consider terminating and replacing the mandate if necessary.

July 2023

For and on behalf of the Trustees of the John Graham (Dromore) Limited Pension and Life Assurance Scheme

