

LGH Group Plc Pension Scheme

Engagement Policy Implementation Statement for the year ending 5 April 2023

Introduction

The Trustee of the LGH Group Plc Pension Scheme (the 'Scheme') has a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly, or through each investment manager.

This statement sets out how, and the extent to which, in the opinion of the Trustee, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 5 April 2023. This statement also describes the voting behaviour by, or on behalf of, the Trustee including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustee, in conjunction with the investment consultant, appoints each investment manager and choose the specific pooled funds to use in order to meet specific policies. They expect that each investment manager makes decisions based on assessments about the financial and non-financial performance of underlying investments (including environmental, social and governance (ESG) factors, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee has decided not to take non-financial matters into account when considering their policy objectives.

Members of the Trustee Board received the following training over the period:

Date	Provider	Subject
October 2022	Buck	Gilt market developments
January 2023	Buck	Maintaining liability-driven investment resilience

Stewardship - monitoring and engagement

The Trustee recognises that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustee acknowledges that the concept of stewardship may be less applicable to some of their assets, particularly for gilt and liability-driven investments. As such the Scheme's investments in these asset classes are not covered by this engagement policy implementation statement.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to each investment manager and to encourage the manager to exercise those rights. Each investment manager in conjunction with the platform provider is expected to provide regular reports to the Trustee detailing their voting activity.

The Trustee also delegates responsibility for engaging and monitoring investee companies to each investment manager and expect the investment manager to use their discretion to maximise financial returns for members and others over the long term.

The Trustee seeks to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
LGIM	Yes	Yes

The Trustee reviews each investment manager prior to appointment and monitor them on an ongoing basis through the regular review of the manager's voting and engagement policies, their investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustee has not set out their own stewardship priorities but follow that of the investment managers.

The Trustee will engage with a manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustee from time to time.

If the Trustee finds any manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The investment manager is expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how the investment manager engages in dialogue with the companies they invest in and how they exercise voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

The Trustee are comfortable that this policy is broadly in line with the Scheme's chosen stewardship approach and that they do not diverge significantly from any key stewardship priorities identified for the Scheme.

Links to the investment manager's voting and engagement policy or suitable alternative is provided in the Appendix.

This policy is publicly available on the investment manager’s website.

The latest available engagement information provided by the investment manager (for mandates that contain public equities or bonds) is as follows:

Engagement	
LGIM Diversified Fund	
Period	01/04/2022 – 31/03/2023
Engagement definition	Purposeful, targeted communication with an entity (e.g., company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.
Number of companies engaged with over the year	690
Number of engagements over the year	979

Exercising rights and responsibilities

The Trustee recognises that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment manager of the pooled funds for which voting is possible is expected to disclose annually a general description of its voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The Trustee has been provided with details of what the investment manager considers to be the most significant votes. The Trustee has not influenced the manager’s definitions of significant votes but has reviewed these and is satisfied that they are all reasonable and appropriate.

The Trustee has selected the three votes affecting the largest asset holdings for inclusion in this statement. The Trustee did not communicate with the manager in advance about the votes they considered to be the most significant.

The investment manager publishes online its overall voting records on a regular basis.

The investment manager uses proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustee does not carry out a detailed review of all votes cast by or on behalf of each investment manager but rely on the requirement for the investment manager to provide a high-level analysis of their voting behaviour.

The Trustee considers the proportion of votes cast, and the proportion of votes against management and believe this to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by each investment manager (for mandates that contain public equities) is as follows:

	LGIM Diversified Fund
Period	01/04/2022 – 31/03/2023
Number of meetings eligible to vote at	9,541
Number of resolutions eligible to vote on	99,252
Proportion of votes cast	99.8%
Proportion of votes for management	77.4%
Proportion of votes against management	21.9%
Proportion of resolutions abstained from voting on	0.7%

Trustee's assessment

The Trustee has, in their opinion, followed the Scheme's voting and engagement policies during the year, by continuing to delegate to each investment manager, 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 Trustee has undertaken a review of each investment manager's engagement policy including their policies in relation to financially material considerations and have found them to be acceptable at the current time.

The Trustee has considered the environmental, social and governance rating for each investment manager provided by the investment consultant, which includes consideration of voting and/or engagement activities. This also includes those funds that do not hold listed equities.

The Trustee may also consider reports provided by other external ratings providers.

Where an investment manager has received a relatively low rating from the investment consultant or from other external rating providers, the Trustee will consider whether and how to engage with the investment manager.

The Trustee has reviewed the significant voting and engagement behaviour of each investment manager from time to time and believe that this is broadly in line with the investment manager's stated policies and has not diverged significantly from any independent stewardship priorities identified for the Scheme, from time to time. The Trustee recognises that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Links to the engagement policies for the investment manager can be found here:

Investment manager	Engagement policy (or suitable alternative)
Mobius Life (Investment Platform Provider)	https://www.mobiuslife.co.uk/uploads/2022/09/19e33e1d4480aca4d7a8cd7b9c3c5b78/mobius-life-stewardship-engagement-policy-2021.pdf
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

Information on the most significant votes for each of the funds containing public equities is shown below.

LGIM Diversified Fund	Vote 1	Vote 2	Vote 3
Company name	Prologis, Inc.	Union Pacific Corporation	NextEra Energy, Inc.
Date of vote	04/05/2022	12/05/2022	19/05/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.4	0.4	0.3
Summary of the resolution	Resolution 1a – Elect Director Hamid R. Moghadam	Resolution 1e - Elect Director Lance M. Fritz	Resolution 1j - Elect Director Rudy E. Schupp
How the investment manager voted	Against	Against	Against
Where the investment manager voted against management, did they communicate their intent to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		

Rationale for the voting decision	<p>Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>	<p>Joint Chair/CEO: A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.</p>	<p>Diversity: A vote against is applied as LGIM expects a company 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 are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue.</p> <p>Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>
Outcome of the vote	92.9% Against	91.7% Against	85.9% Against
Implications of the outcome	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>
Criteria on which the vote is assessed to be “most significant”	<p>LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the</p>	<p>LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a</p>	<p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>

separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.	longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.
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Information on the most significant engagement case studies LGIM participated in during the year ending 31 December 2021 is shown below.

LGIM	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	BP	McDonald's	Experian
Topic	Climate Transition	Antimicrobial resistance	Financial Inclusion
Rationale	LGIM work with the Institutional Investor Group on Climate Change (IIGCC) is a crucial part of their approach to climate engagement. IIGCC is a founding partner and steering committee member of Climate Action 100+ (CA100+), a global investor engagement initiative with 671 global investor signatories	The overuse of antimicrobials (including antibiotics) in human and veterinary medicine, animal agriculture and aquaculture, as well as discharges from pharmaceutical production facilities, is often associated with an uncontrolled release and disposal of antimicrobial agents. Put simply, antibiotics end up in	Pay equality and fairness has been a priority for LGIM for several years. LGIM ask all companies to help reduce global poverty by paying at least the living wage, or the real living wage for UK based employees. Income inequality is a material ESG theme for LGIM because they believe there is a real opportunity for

<p>representing \$65 trillion in assets that aims to speak as a united voice to companies about their climate transition plans. LGIM actively support the initiative by sitting on sub-working groups related to European engagement activities and proxy voting standards. They also co-lead several company engagement programmes, including at BP (ESG score: 27; -11) and Fortum (ESG score: 27; -11).</p>	<p>their water systems, including their clean water, wastewater, rivers, and seas.³⁸ This in turn potentially increases the prevalence of antibiotic-resistant bacteria and genes, leading to higher instances of difficult-to-treat infections. In autumn 2021, LGIM worked again with Investor Action on AMR and wrote to the G7 finance ministers, in response to their Statement on Actions to Support Antibiotic Development. The letter highlighted investors' views on AMR as a financial stability risk.</p>	<p>companies to help employees feel more valued and lead healthier lives if they are paid fairly. These are important steps to help lift lower-paid employees out of in-work poverty. This should ultimately lead to better health, higher levels of productivity and result in a positive effect on communities. Global credit bureau Experian (ESG score: 69; +9) has an important role to play as a responsible business for the delivery of greater social and financial inclusion.</p>
<p>United Nations Sustainable Development Goals: 13 - Climate Action</p>	<p>A member of their team was on the expert committee for the 2021 AMR Benchmark methodology. The benchmark, which was launched in November 2021, evaluates 17 of the world's largest pharmaceutical companies on their progress in the fight against AMR. LGIM participated in a panel discussion on governance and stewardship around AMR.</p>	<p>United Nations Sustainable Development Goals 8 - Decent work and economic growth</p>
	<p>United Nations Sustainable Development Goals 3</p>	

		- Good Health & Wellbeing	
<p>What the investment manager has done</p>	<p>LGIM engaged with BP's senior executives on six occasions in 2021 as they develop their climate transition strategy to ensure alignment with Paris goals.</p>	<p>During 2021, LGIM voted on the issue of AMR. A shareholder proposal was filed at McDonald's (ESG score: 62; +8) seeking a report on antibiotics and public health costs at the company. LGIM supported the proposal as they believe the proposed study, with its particular focus on systemic implications, will inform shareholders and other stakeholders on the negative implications of sustained use of antibiotics by the company</p>	<p>LGIM has engaged with the company on several occasions in 2021 and are pleased to see improvements made to its ESG strategy, encompassing new targets, greater reporting disclosure around societal and community investment, and an increasing allocation of capital aligned to transforming financial livelihoods.</p>
<p>Outcomes and next steps</p>	<p>Following constructive engagements with the company, LGIM were pleased to learn about the recent strengthening of BP's climate targets, announced in a press release on 8 February 2022, together with the commitment to become a net-zero company by 2050 – an ambition LGIM expect to be shared across the oil and gas sector as they aim to progress towards a low-carbon economy. More broadly, their detailed research on the EU coal phase-out earlier this year</p>	<p>The hard work is just beginning. LGIM continues to believe that without coordinated action today, AMR may be the next global health event and the financial impact could be significant.</p>	<p>The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and Experian Go, which is hoped to enable access for more people. The company also launched the United for Financial Health project as part of its social innovation fund to help educate and drive action for those most vulnerable.</p>

reinforced their view that investors should support utility companies in seeking to dispose of difficult-to-close coal operations, but only where the disposal is to socially responsible, well-capitalised buyers, supported and closely supervised by the state. In their engagement with multinational energy provider RWE's senior management, for example, LGIM have called for the company to investigate such a transfer. LGIM think transfers like this could make the remaining transition focused companies more investable for many of their funds and for the market more generally.
