

# Implementation Statement

## John Graham (Dromore) Limited Pension and Life Assurance Scheme

### 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 2020 to 5 April 2021.

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 September 2020, with the Scheme's SIP including 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.

The Scheme invests in pooled funds managed by Baillie Gifford and Legal & General Investment Management ("LGIM") (together, the "Investment Managers").

In the most recent SIP, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to their investments:

The Investment Managers are 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 Managers.

The Trustees expect the Investment Managers 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 Trustee’s 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 Managers. The Trustees’ voting behaviour over the Scheme year is summarised below.

Over the year to 5 April 2021 the Scheme held the following pooled fund investments:

- a multi-asset fund managed by Baillie Gifford;
- passive world equity, corporate bond and government bond (gilt) funds managed by Legal & General Investment Management (“LGIM”).

The Scheme therefore had company investments which carried voting rights within the multi-asset fund investment with Baillie Gifford and the passive equity fund investment with LGIM.

LGIM manages over £1.3 trillion in assets and using their resulting influence, it focusses its votes on climate change, income equality, diversity, and ESG integration. The following table shows LGIM’s voting summary covering the Scheme’s investment in the LGIM World Equity Fund, which the Trustees were invested in throughout the Scheme year. Note that the Investment Managers have provided voting information for the year to 31 March 2021, rather than the Scheme year-end of 5 April 2021.

| LGIM World Equity Index Fund (£3.3m as at 5 April 2021)                                                 | 1 April 2020 – 31 March 2021 |
|---------------------------------------------------------------------------------------------------------|------------------------------|
| Number of meetings LGIM was eligible to vote at over the year to 31/3/2021                              | 3,421                        |
| Number of resolutions LGIM was eligible to vote on over the year to 31/3/2021                           | 40,987                       |
| Of the eligible resolutions, percentage that LGIM voted on.                                             | 99.8%                        |
| Of the resolutions voted, percentage that LGIM voted <b>with</b> management.                            | 81.4%                        |
| Of the resolutions voted, percentage that LGIM voted <b>against</b> management.                         | 18.1%                        |
| Of the resolutions voted, percentage where LGIM <b>abstained</b> .                                      | 0.6%                         |
| Percentage of eligible meetings where LGIM voted at least once against management.                      | 6.0%                         |
| Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser. | 0.3%                         |

The second table below shows the voting statistics relating to the Baillie Gifford Managed Fund, which the Trustees held investments in throughout the Scheme year.

| <b>Baillie Gifford Managed Fund (£14.2m as at 5 April 2021)</b>                            | <b>1 April 2020 –<br/>31 March 2021</b> |
|--------------------------------------------------------------------------------------------|-----------------------------------------|
| Number of meetings Baillie Gifford was eligible to vote at over the year to 31/3/2021      | 270                                     |
| Number of resolutions Baillie Gifford was eligible to vote for over the year to 31/3/2021  | 2,894                                   |
| Of the resolutions voted, percentage that Baillie Gifford voted <b>with</b> management.    | 95.8%                                   |
| Of the resolutions voted, percentage that Baillie Gifford voted <b>against</b> management. | 2.9%                                    |
| Of the resolutions voted, percentage where Baillie Gifford <b>abstained</b> .              | 1.3%                                    |

### Proxy voting

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

LGIM votes by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform as given the scale of its holdings, the manager cannot be present at shareholder meetings to cast votes. 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').

While Baillie Gifford are aware of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities. Neither do they follow nor rely upon these voting recommendations when deciding how to vote on their clients' shares. All voting decisions are made in-house and Baillie Gifford vote in line with their in-house policy and the views of the investment team involved with the investment and not with the proxy voting providers' policies.

### How 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 Managers and summarised in this statement has provided the Trustees with comfort that the Investment Managers have voted on their behalf over the Scheme year to 5 April 2021.

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 Trustee's investments.

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

| <b>Voting and Engagement topic</b>          | <b>Policy followed in the opinion of Trustees?</b> | <b>Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Performance of debt or equity issuer</b> | ✓                                                  | Both LGIM's and Baillie Gifford's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.                                                                                                                                                                                   |
| <b>Strategy</b>                             | ✓                                                  | 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 and Baillie Gifford |

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|                                        |   | both have clear voting policies covering each of these topics and has acted on them throughout the Scheme year on behalf of the Trustees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Capital Structure</b>               | ✓ | <p>LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.</p> <p>Similarly, during December 2020 Baillie Gifford voted against a resolution to issue more equity for Abcam due to the potential dilution of shares, which would not be in the best interest of current shareholders. Baillie Gifford has policies on voting and engagement with respect to capital structure and long term value creation including on equity issuance, share repurchases, dividends, M&amp;A's and political donations.</p>                                                                                                                                                                                                                                                                                         |
| <b>Conflicts of Interest</b>           | ✓ | <p>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.</p> <p>Baillie Gifford similarly had policies on remuneration and aligning executive reward with long-term, performance-based targets and the use of independent remuneration committees to carry out the process. Baillie Gifford also provided an example of a vote against the proposed remuneration of independent directors at Bank Rakyat Indonesia due to the pay being incentive-based which could compromise their objectivity.</p>                                                                                                                                                                                                                                                                                 |
| <b>Risks</b>                           | ✓ | <p>LGIM and Baillie Gifford have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>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.</p> <p>To ensure all risks are identified and captured and allow for effect stewardship, Baillie Gifford expects that all material issues should be set out succinctly in the annual report, and that the approach to governance and sustainability matters should be reported in the context in the whole range of risks and opportunities faced by the company. Baillie Gifford have stated that they will consider voting action if this is not the case, as an example of which, Baillie Gifford voted in favour of a proposal to increase disclosure of how DSV manages financially material climate risks and opportunities in March 2021.</p>                                               |
| <b>Corporate Governance</b>            | ✓ | <p>LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair. Over the year LGIM voted against 411 companies that combined the roles.</p> <p>Over 2021, LGIM has stated they will oppose Directors in Germany from being elected for longer than 4 years to hold Directors to more accountability than in the past.</p> <p>Baillie Gifford state that their ongoing assessment of corporate governance issues may change their view on buying, selling or amending their clients' holdings. It also determines how they choose to vote at company meetings and how they engage with management, the two principal levers they have for influencing change. Baillie Gifford has stated within the companies governance and sustainability policies that for a company's board to be effective it expects that succession planning for key roles, appropriate risk management frameworks and transparency on the process of nomination and appointments to all be in place amongst other factors.</p> |
| <b>Social and Environmental impact</b> | ✓ | <p>LGIM has written to over 500 companies with poor climate scores relative to their size and for those that don't meet minimum standards during the 2021 AGM season, LGIM will look to sanction through voting. If these minimum</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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|  |  | <p>standards are not met over time, LGIM may look to divest until progress is shown. Over 2020, LGIM announced that it had reinstated investments in Subaru following evidence of progress against emission targets and climate exposure.</p> <p>During 2020, to promote ethnic diversity at the board level, LGIM sent letters to engage with 35 of the largest UK companies and 44 of the largest in the US on why they have no ethnic diversity. LGIM stated it would expect at least one member at the board level to be from a minority background by 2021 and has started to vote against the chair of the board or of the nomination committee if this is not the case.</p> <p>Baillie Gifford has a policy that boards should ensure that material social and environmental impacts of the business are considered and to make necessary improvements to support the sustainable growth of the business. Baillie Gifford gave an example of a call they had with Amazon.com over the Scheme year, where they discussed with the head of ESG Engagement the vote on unionisation including on the technical components of the vote and how the company communicated with employees. Baillie Gifford also repeated their desire to see better disclosures on social practices, including health and safety statistics.</p> |
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LGIM has provided examples of what it believes to be the most significant votes cast on the Trustee’s behalf during the period.

Two of the most significant votes related to the remuneration of executive at two airline related companies. LGIM voted in favour of the proposed remuneration package presented to shareholders by Qantas Airways Limited, with LGIM stating that the decision to cut executive salaries, cancel short term incentive plans and defer vesting of the long-term incentive plan an appropriate measure given the financial impact on dividends, termination of employees and accepted government assistance that occurred over 2020. Conversely, LGIM voted against the remuneration package of International Consolidated Airlines Group, who had similarly accepted government support and made staff reductions but had retained a higher level of bonus payments to the current executives. 28.4% of the shareholder base voted against the company’s proposal.

LGIM also voted for a report on the wind-down of coal operations at Australia’s Whitehaven Coal given the uncertain role of the energy source as countries move to carbon neutrality by 2050. LGIM advocates a managed decline of fossil fuel extraction companies with capital returned to investors, rather than being invested in other projects which may risk becoming stranded assets.

While Baillie Gifford provided detailed explanations of their voting behaviour, they did not provide examples of what it believes to be ‘most significant’ votes. These included voting against a proposal to re-elect a non-executive director to the Ping An Insurance Board due to the fact that the non-executive director was a shareholder representative and sits on the Audit Committee, which Baillie Gifford expects to be made up of entirely independent directors.

**Engagement with investee companies**

Exercising voting rights is not the only method of influencing behaviours of investee companies and is not applicable for the Scheme’s fixed income investments with LGIM in the AAA-AA-A Corporate Bond Over 15 Year Index Fund (c. £1.5m of assets as at 31 March 2021).

LGIM also actively engages with the investee companies via meetings with management and engagements via email to influence positive ESG practice. 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. While engagements are not yet available at a fund

level, they are published at a firm level each quarter. LGIM is working to be able to provide engagement information at a fund specific level.

Over the 12 months to 31 March 2021, LGIM undertook 974 engagements with 874 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 427 on environmental topics;
- 241 on social topics;
- 470 on governance issues; and
- 279 on other topics including finance and strategy.

The Trustees will monitor LGIM's reporting to see if more detail at a fund level can be provided in the future for monitoring purposes.

For the Scheme's Managed Fund investment, each quarter Baillie Gifford provides details of which companies it has engaged with and under what topics, including corporate governance, environmental / social, and executive remuneration. These reports also include detailed explanation of the meetings held, including who they spoke to at the investee company. Over the scheme year to 31 March 2021, Baillie Gifford carried out 199 engagements with investee companies that are held within the Managed Fund, summarised below:

- 50 on corporate governance topics;
- 47 on social and environmental topics;
- 74 in relation to an upcoming AGM/EGM and the proposed resolutions; and
- 28 on executive remuneration

The Trustees are comfortable that Baillie Gifford has actively engaged on their behalf on social, environmental and corporate governance topics.

The remainder of the Scheme's assets (c. £3.0m of assets as at 31 March 2021) are invested in long-dated nominal government bonds with the purpose of reducing risk, by hedging the exposure to interest rate 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 trustees' policies have been followed during the year**

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

If the Investment Managers deviate substantially from the Trustees' stated policies, the Trustees will initially engage and discuss this with each 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.

#### **September 2021**

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



Michael Graham  
Executive Chairman