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Implementation Statement

The Hodge Companies New Pension Scheme

For Year Ending 31 March 2022

Introduction

This statement has been prepared by the Trustees of Hodge Trustees Limited in respect of the Hodge Companies New Pension Scheme (the "Trustees" and the "Scheme" respectively) with input from its Investment Consultants. The statement demonstrates how the Trustees have acted on certain policies within their Statement of Investment Principles ('SIP').

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 Implementation Statement covers the year from 1 April 2021 to 31 March 2022.

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 SIPs covering the year under review which gives details of the Scheme's investment policies along with details of the Scheme's governance structure and objectives.

This Implementation Statement reviews the voting and engagement activities as well as the extent to which the Trustees believe the new policies have been followed over the 12-month period to the year end 31 March 2022. The Scheme invests in a range of pooled funds all of which are managed by Legal and General Investment Management ("LGIM") and BMO Global Asset Management ("BMO") (together known as "Investment Managers").

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

- *The Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustees have set an appropriate monitoring framework to ensure the Scheme's Investment Managers are regularly reviewed.*

- *The Trustees also recognise the importance of regular monitoring of the investment managers' performance, remuneration and compliance against its ESG policy to ensure that the Scheme's assets are being managed appropriately. The Trustees believe that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager.*

- *In addition to performance measures, the Trustees will review the engagement activity of the Investment Managers to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees also monitor the voting activity of the investment managers to ensure votes are being used and are aligned to its views on ESG.*

- *The Trustees expect the Investment Managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, 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.*

- *The Trustees expect the Scheme's Investment Managers to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustees will review this on an annual basis in line with its monitoring policy.*

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 enforce the policies in place by monitoring the engagement and voting activities of the Scheme's Investment Managers to attempt to ensure they are aligned with the Trustees' policies.

Over the year the Scheme was invested in one mandate – the LGIM All World Equity Index Fund (GBP Currency Hedged) – where underlying assets included publicly listed equities.

The Trustees review and monitor the voting and engagement activity taken by the investment managers on their behalf. Information published by LGIM provides the Trustees with comfort that their voting and engagement policies have been followed during the year. The following table shows LGIM's voting summary covering the Scheme's investments in the LGIM All World Equity Index Fund (GBP Currency Hedged):

LGIM All World Equity Index Fund (GBP Hedged)	1 April 2021 – 31 March 2022
No. of meetings eligible to vote at	6,519
No. of resolutions eligible to vote on	64,607
Eligible resolutions voted on	99.8%
Of resolutions voted on, resolutions voted **with** management	80.7%
Of resolutions voted on, resolutions voted **against** management	18.1%
Of resolutions voted on, resolutions **abstained** from voting	1.3%

Proxy voting

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 Service's ('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 the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. LGIM retain the ability in all markets to override any vote decisions.

Significant votes

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

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 Hedged).

A number of the significant votes were related to the re-election of a director who holds both CEO and board chair positions simultaneously. LGIM voted against many such resolutions due to what LGIM cites as its 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. As such, LGIM since 2015 has supported shareholder proposals seeking the appointment of independent board chairs and since 2020 has voted against all combined board chair/CEO roles.

Other frequent voting themes pertained to pushing back on or voting against executive compensation and long-term incentive plans, gender diversity and approving climate change resolutions.

How engagement policies have been followed

The Trustees review and monitor the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Managers on their voting policies has provided the Trustees with comfort that their voting and engagement policies have been followed during the Scheme year.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Scheme's corporate bond holdings can also include engagement activities, but these investments do not carry voting rights.

The Trustees expect the Investment Managers 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.

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. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop voting and engagement policies and define strategic priorities.

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

Having reviewed the actions taken by the Investment Managers, the Trustees believe that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Managers' policies over the year. The Trustees will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from the managers, particularly with respect to ESG factors.

If the Investment Managers deviate substantially from the Trustees' stated policies, the Trustees will initially engage with the managers in an attempt to influence policies on ESG and stewardship. If it is concluded that the difference between the policies and manager's actions are material, the Trustees will consider terminating the mandate and appointing a replacement manager more closely aligned with the Trustees' policies and views.

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