

Bally Pension Scheme Implementation Statement

Purpose

This statement provides information on how, and the extent to which, the Trustee's policies in relation to the exercising of rights (including voting rights), attached to the Scheme's investments, and engagement activities have been followed during the year ended 31 May 2022 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

The Trustee has received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment ("XPS") and discussed their beliefs around those issues. Following this the Trustee has updated their Statement of Investment Principles to reflect their policy in relation to ESG and voting. The Trustee's policy is documented in the updated Statement of Investment Principles dated September 2020.

The Trustee's Responsible Investment Policy

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustee requires the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee has also delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

ESG Investment beliefs survey

In May 2021 the Trustee took part in an ESG Investment beliefs survey organised by XPS. High level conclusions of the Trustee's beliefs from the survey included:

- The Trustee felt strongly that there is a clear ESG policy in place that reflects their views.
- The Trustee felt strongly that ESG and climate change should be captured within decision making and that taking steps to quantify and mitigate exposure to climate risk is important.
- The Trustee agreed ESG issues are financially material to the Scheme and that the Trustee should pursue positive impact.
- The Trustee agreed ESG and climate change should be expressed through strong stewardship.

Ongoing governance

The Trustee, with the assistance of XPS, monitors the processes and operational behaviour including those related to ESG of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this statement. Further, the Trustee expresses its policy by seeking advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustee has commissioned a report from XPS on what the XPS ESG research framework involves and how the funds that the Scheme invests in are assessed and rated using four criteria (philosophy, integration, climate change and stewardship).

The report shows that all LGIM Funds achieved Green ESG ratings as the managers have well defined processes and actively embed ESG through all their processes in the Funds. The LGIM Buy & Maintain Credit Fund and the LGIM Dynamic Diversified Fund excludes investments in companies involved in controversial weapons and companies that generate 30% or more of their revenues from coal mining and extraction. The DDF also excludes companies that violate the United Nations Global Compact (UNGC).

The Brandywine – Global Income Optimiser Fund has been given an amber rating which is satisfactory given consultation with XPS. The manager implements a 10% exclusion of the worst ranking companies in the investable universe based on ESG scores. While the Fund does not exclude the fossil fuel sector as a whole, they do exclude corporate issuers if their E&S scores fall in the bottom decile.

Manager selection exercises

One of the main ways in which the Trustee's Responsible Investment policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee was satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the Investment Managers will have voting rights is equities. The Scheme had investments in equities as part of the strategy for the **LGIM Dynamic Diversified Fund**.

Therefore, a summary of the voting behaviour and most significant votes cast by the **LGIM Dynamic Diversified Fund** investment manager is as follows:

Voting Information
LGIM Dynamic Diversified Fund
The manager voted on 99.79% of resolutions of which they were eligible out of 71,658 eligible votes.

Investment Manager Client Consultation Policy on Voting

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 all our clients. LGIM's voting policies are reviewed annually and take into account feedback from LGIM's clients.

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 the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure it continues to help its clients in fulfilling their reporting obligations. LGIM also believes public transparency of its vote activity is critical for its clients and interested parties to hold LGIM to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what LGIM deemed were 'material votes'. LGIM is evolving its approach in line with the new regulation and are committed to provide its clients access to 'significant vote' information.

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 notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM provides information on significant votes in the format of detailed case studies in its quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. LGIM also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

Does the manager utilise a Proxy Voting System? If so, please detail

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 LGIM does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which LGIM believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to LGIM's voting judgement. LGIM has strict monitoring controls to ensure our votes are fully and effectively executed in accordance with its voting policies by LGIM's service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Microsoft Corporation	Elect Director Satya Nadella	Against	94.7%
LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.			
Apple Inc.	Resolution 9 - Report on Civil Rights Audit	For	53.6%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Barrick Gold Corporation	Resolution 1.2 Elect Director Gustavo A. Cisneros	Withhold	93.0% of shareholders supported the resolution.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Wheaton Precious Metals Corp.	Resolution a1 Elect Director George L. Brack	Withhold	87.6% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Duke Energy Corporation	Resolution 1.1 Elect Director Michael G. Browning	Withhold	88.1% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			

Voting data is provided by LGIM quarterly, the LGIM DDF voting summary reflects the year to 31 March 2022.

This summary has been provided by LGIM and any reference to our, we etc relates to LGIM.