

Implementation Statement

Diploma Holdings PLC UK Pension Scheme

Purpose of this Implementation Statement “the Statement”

This Statement has been prepared by the Trustees of the Diploma Holdings PLC UK Pension Scheme (“the Scheme”) to set out in summary the following information over the year to 30 September 2022:

- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes; and
- how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year to 30 September 2022.

Trustee policies on voting and engagement

The Trustees’ Statement of Investment Principles (SIP) in force over the year under review describes the Trustees’ policy on the exercise of rights (including voting rights) and engagement activities as follows:

“The Scheme currently invests in pooled investment funds only. The Trustees’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the relevant fund managers. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees’ rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses. The Trustees are comfortable with the fund managers’ strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.”

Elsewhere in the SIP the Trustees note that they do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets. They also note that as the fund manager has been mandated by the Trustees to invest in line with specified indices in relation to the passive equity holdings, they require that the fund manager takes into account ESG considerations by engaging with companies and by exercising voting rights.

The Trustees’ SIP also includes their Environmental, Social and Governance (“ESG”) policies. The SIP is available online at:

<https://www.diplomapl.com/investors/dhplc-uk-pension-scheme/>

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such the Trustees delegate responsibility for carrying out voting and engagement activities to the Scheme’s fund manager, Legal & General Investment Management (“LGIM”).

The Scheme also holds a bulk annuity insurance policy in respect of the Scheme’s pensioner members existing at the time of the purchase of the bulk annuity in September 2018 and other insurance policies. These policies have no voting rights attached to them and there is little scope to consider engagement activities of the respective insurers.

Investment rights (including voting rights) are exercised by the investment manager in line with their general policies on corporate governance, which are provided to the Trustees from time to time. The Trustees also expect the investment manager to engage regularly with companies in relation to ESG matters.

The Trustees remain comfortable with the investment manager's strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor. The Trustees monitor the engagement and voting activities of the manager to ensure broad alignment with their own policies through quarterly reports received from LGIM. A review of this information was carried out as part of the preparation of this Statement. The Trustees were satisfied that LGIM's stewardship policies and activities were reasonable and consistent with the Trustees' policies set out in the SIP.

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio (which represented 78% of the target allocation of invested assets) on behalf of the Trustees during the year to 30 September 2022. The LGIM Gilt funds have no voting rights and there is limited scope for the consideration of ESG issues to improve risk-adjusted returns because of the nature of the instruments used (i.e. government bonds).

Manager	LGIM					
Fund name	UK Equity Index	North America Equity Index	Europe (ex UK) Equity Index	Japan Equity Index	Asia Pacific (ex Japan) Developed Equity Index	World Emerging Markets Equity Index
Structure	Pooled					
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.					
Number of company meetings the manager was eligible to vote at over the year	765	670	613	511	504	4,178
Number of resolutions the manager was eligible to vote on over the year	10,884	8,407	10,371	6,327	3,573	35,288
Percentage of resolutions the manager voted on	99.9%	99.4%	99.8%	100.0%	100.0%	100.0%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	0.0%	0.1%	0.5%	0.0%	0.0%	2.3%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	94.1%	65.3%	81.6%	88.5%	71.6%	78.7%

Manager	LGIM					
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	5.9%	34.7%	18%	11.5%	28.4%	18.9%
Proxy voting advisor employed	LGIM vote by proxy using the Institutional Shareholder Services (ISS) "ProxyExchange" electronic voting platform. All voting decisions are made by LGIM.					
Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor	4.6%	26.4%	9.3%	9.1%	17.1%	7.0%

Significant votes

In determining significant votes, LGIM's investment stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association ("PLSA"). This guidance dictates significant votes include, but are not limited to:

- A 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 Stakeholder roundtable event, or where LGIM notes there has been a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- A vote linked to an LGIM engagement campaign.

The Trustee has delegated the definition of what comprises a "significant vote" to LGIM.

Set out below is a summary of the significant votes that LGIM has provided to the Trustees (and noting therefore that the comments are those of the manager). In the interests of concise reporting the summary of significant votes below comprises three examples for each fund that forms part of the Scheme's Growth Portfolio. However, if you would like to review further voting information, this can be found online.

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

LGIM, UK Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	Spirax-Sarco Engineering Plc	Fresnillo Plc
Date of vote	24/05/2022	11/05/2022	17/05/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.7%	0.36%	0.05%

	Vote 1	Vote 2	Vote 3
Summary of the resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 6 - Re-elect Jamie Pike as Director	Resolution 5 - Re-elect Alejandro Bailleres as Director
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Voted in line with management	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	Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	Diversity: A vote against is applied as the company has an all-male Executive Committee.	Committee Independence: A vote against is applied because the director is not independent and sits on a Board Committee that should be comprised solely of independent directors. Diversity: A vote against is applied as the company has an all-male Executive Committee. Chair tenure: A vote against the Chair's re-election is applied because LGIM believe the role of Board Chair should be refreshed regularly in line with best practice.
Outcome of the vote	~80% of shareholders supported the resolution	~87% of shareholders supported the resolution.	~93% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	

LGIM, North America Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Microsoft Corporation	Berkshire Hathaway Inc.
Date of vote	04/03/2022	30/11/2021	30/04/2022

APPENDIX 1

	Vote 1	Vote 2	Vote 3
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.2%	5.7%	1.1%
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1.9 - Elect Director Susan L. Decker
How the manager voted	For	Against	Withhold
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates their vote instructions on their 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	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight	Climate Change: A withhold vote is warranted for lead independent director Susan Decker as the company does not adequately disclose climate change-related risks and opportunities. Independence: A withhold vote 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.
Outcome of the vote	~54% of shareholders supported the resolution.	~95% of shareholders supported the resolution.	~87% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.
Criteria on which the vote is considered "significant"	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

LGIM, Europe (ex UK) Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	LVMH Moët Hennessy Louis Vuitton SE	TotalEnergies SE	ABB Ltd.

	Vote 1	Vote 2	Vote 3
Date of vote	21/04/2022	25/05/2022	24/03/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.2%	1.6%	0.6%
Summary of the resolution	Resolution 5 – Re-elect Bernard Arnault as Director	Resolution 16 - Approve Company's Sustainability and Climate Transition Plan	Resolution 7.10 – Re-elect Peter Voser as Director and Board Chairman
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on their 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 not to combine the roles of Board Chair and CEO. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.</p>	<p>Climate change: A vote against is applied. LGIM recognise the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, they remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.</p>	<p>Diversity: A vote against is applied as LGIM expects a company to have a diverse board, with at least 25% of board members being women. They expect companies to increase female participation both on the board and in leadership positions over time.</p>
Outcome of the vote	~92% of shareholders supported the resolution.	~89% of shareholders supported the resolution.	~80% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.		
Criteria on which the vote is considered "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 separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the</p>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.</p>

	Vote 1	Vote 2	Vote 3
	appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.		

LGIM, Japan Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Mitsubishi Corp.	Toyota Industries Corp	Toray Industries, Inc.
Date of vote	24/06/2022	10/06/2022	23/06/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.1%	0.3%	0.2%
Summary of the resolution	Resolution 5 - Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets Aligned with Goals of Paris Agreement	Resolution 1.1: Elect Director Toyoda, Tetsuro	Resolution 3.1 - Elect Director Nikkaku, Akihiro
How the manager voted	For	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on their 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>Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.</p>	<p>Diversity: A vote against is applied due to the lack of meaningful diversity on the board.</p> <p>Excessive cross shareholding: Potential conflicts of interest and improper use of shareholders capital - A vote against has been applied as the company holds an excessive shareholding in an outside company with no clear rationale and the appropriateness of the use of shareholder capital is questioned.</p>	<p>Independence: A vote against is applied due to the lack of independent directors on the board. Independent directors bring an external perspective to the board. Bringing relevant and suitably diverse mix of skills and perspectives is critical to the quality of the board and the strategic direction of the company. LGIM would like to see all companies have a third of the board comprising truly independent outside directors.</p> <p>Diversity: A vote against is applied due to the lack of meaningful diversity on the board.</p>
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	Vote 1	Vote 2	Vote 3
Outcome of the vote	~20% of shareholders supported the resolution.	~86% of shareholders supported the resolution.	~64% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	<p>LGIM view climate change as a financially material issue for their clients, with implications for the assets they manage on clients' behalf.</p> <p>LGIM believe that this was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.</p>	<p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>	

LGIM, Asia Pacific (ex Japan) Developed Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Rio Tinto Limited	Goodman Group	CK Hutchison Holdings Limited
Date of vote	05/05/2022	18/11/2021	19/05/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.9%	0.9%	0.6%
Summary of the resolution	Resolution 17 - Approve Climate Action Plan.	Elect Rebecca McGrath as Director of Goodman Limited	Resolution 3a - Elect Li Tzar Kuo, Victor as Director
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on their 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	Climate change: LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However,	A vote against is applied as LGIM expects a company to have a diverse board, with at least 25% of board members being women. LGIM expect companies to increase female participation both on the board and in leadership positions over time.	Joint Chair/CEO: A vote against is applied as LGIM expects the roles of Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.

	Vote 1	Vote 2	Vote 3
	<p>while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p>		<p>Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.</p> <p>Board mandates: A vote against is applied as LGIM expects a CEO not to hold too many external roles to ensure they can undertake their duties effectively.</p>
Outcome of the vote	~85% of shareholders supported the resolution.	~79% of shareholders supported the resolution.	~87% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on the issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.</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 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 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p>

LGIM, World Emerging Markets Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Meituan	China Construction Bank Corporation	Xiaomi Corporation
Date of vote	18/05/2022	23/06/2022	02/06/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.3%	1.1%	0.3%

	Vote 1	Vote 2	Vote 3
Summary of the resolution	Resolution 2 - Elect Wang Xing as Director	Resolution 10 - Elect Graeme Wheeler as Director	Resolution 2 - Elect Lei Jun as Director
How the manager voted	Against	Against	Against
If the vote was against management, did the manager 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>Diversity: A vote against is applied as LGIM expects a company to have at least one female on the board.</p> <p>Joint Chair/CEO: A vote against is applied as LGIM expects the roles of Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.</p> <p>A vote against the election of Xing Wang and Rongjun Mu is warranted given that their failure to ensure the company's compliance with relevant rules and regulations raise serious concerns on their ability to fulfill fiduciary duties in the company.</p>	<p>Climate Impact Pledge: A vote against is applied under LGIM's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.</p>	<p>Joint Chair/CEO: A vote against is applied as LGIM expects the roles of Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.</p> <p>Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.</p> <p>Diversity: A vote against is applied as LGIM expects a company to have at least one female on the board Board mandates: A vote against is applied as LGIM expects a CEO not to hold too many external roles to ensure they can undertake their duties effectively.</p>
Outcome of the vote	~92% of shareholders supported the resolution.	~96% of shareholders supported the resolution.	~99% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered "significant"	LGIM views diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf. LGIM also 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	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.	LGIM views diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf. LGIM also 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

Vote 1	Vote 2	Vote 3
<p>and CEO (escalation of engagement by vote). LGIM has a 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.</p> <p>Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM have voted against all combined board chair/CEO roles.</p>		<p>and CEO (escalation of engagement by vote). LGIM has a 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.</p> <p>Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM have voted against all combined board chair/CEO roles.</p>

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by LGIM during the year for the relevant funds.

Please note that LGIM engage at a firm level as opposed to at a fund specific level.

Manager	LGIM
Fund name	UK Equity Index Fund North America Equity Index Fund Europe (ex UK) Equity Index Fund Japan Equity Index Fund Asia Pacific (ex Japan) Developed Equity Index Fund World Emerging Markets Equity Index Fund All Stocks Index-Linked Gilts Fund Over 15y Gilts Index Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	This information was not provided as LGIM engage at a firm level as opposed to at a fund specific level.
Number of entities engaged on behalf of the holdings in this fund in the year	576
Number of engagements undertaken at a firm level in the year	690

Examples of engagements undertaken with holdings in the fund	<p>The key engagement topics at a firm level over the year to 30 September 2022 included:</p> <ul style="list-style-type: none"> • Remuneration • Climate change • Board composition • Energy • Gender Diversity • Public Health • Ethnic Diversity
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An example is LGIM's engagement regarding Sainsbury's failure to pay staff the real living wage. The initial engagement started in 2016. By 2021, Sainsbury's was paying all workers the real living wage, except those in outer London.

In 2022, this remains on the agenda, as cleaners and security workers were still not being paid the living wage while rising inflation and costs of living are a concern.