

The JLG Industries (Europe) Employee Benefits Plan (1985)

Annual Engagement Policy Implementation Statement

1. Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year to 5 April 2022. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Members should be aware that this Statement is part of a wider set of information available on the Plan's governance and investment responsibilities undertaken by the Trustees:

- Members can view the SIP (mentioned above) online which discloses, in detail, the investment principles, policies, objectives, and strategy followed.
- Members can request a copy of the Annual Report and Financial Statements of the Plan, which contains certain information on the management of the Plan, its governance, investment risks management and level of Trustees' knowledge and understanding.

2. Investment objective of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are as follows:

The Trustees seek to invest the Plan's assets so as to maximise the likelihood that benefits will be paid to members as they fall due, and to maximise the likelihood of continued long-term financial support from the Sponsoring Employer.

To achieve these objectives, the Trustees consider the ongoing appropriateness of the Plan's investment strategy at the time of each formal actuarial valuation. The latest actuarial valuation, with an effective date of 5 April 2021, is ongoing at the time of writing and due to be finalised by the statutory deadline of 5 July 2022.

Over the 12 months to 5 April 2022, the SIP was updated to reflect the changes to the Plan's investment strategy, which saw the Plan introduce a Liability Driven Investment ("LDI") hedging programme with their investment manager which better matched the interest rate and inflation sensitivities of the Plan's liabilities. The Plan's strategic asset allocation was also moved from a 65% / 35% growth / matching split to a 50% / 50% growth / matching split concurrently.

The Trustees monitor and review the Plan's investment strategy on a regular basis.

3. Assessment of how policies in the SIP have been followed for the year to 5 April 2022

The information provided in the following section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP.

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

The changes to the investment strategy made over the year to 5 April 2022 served to reduce risk within the portfolio in light of the strengthened funding position, as well as to better match the interest rate and inflation sensitivities of the Plan's liabilities. These changes are in line with the investment objectives of the Plan as outlined in the previous section.

4. Policies in relation to the Plan's investment strategy, day-to-day management of the assets, and associated risks

Please refer to Sections 4, 5 and 6 of the SIP for the Plan's policies around its investment strategy, the day to day management of the assets, and the associated risks.

The Trustees reviewed the Plan's investment strategy over the year, considering the Plan's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk (including financially material risks such as Environmental, Social and Governance risks, including climate change), the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees also received written advice from their Investment Adviser.

The basis of the Trustees' strategy for the Plan, is to divide the Plan's assets between a "growth" portfolio, comprising equities and a diversified growth fund and a "matching" portfolio, comprising buy and maintain credit and liability driven investments ("LDI"). The Trustees regard the basic distribution of the assets to be appropriate for the Plan's objectives and liability profile, and the funds in which the Plan invests are expected to provide an investment return commensurate with the level of risk being taken.

The Trustees use Trustees' meetings to ask questions of the investment advisor, and also will invite managers to present directly to the Trustees from time to time.

The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the investments held within the Plan's portfolio. As detailed in Section 4 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, and the choice of fund managers.

As the Plan invests in pooled investment vehicles, the Trustees accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustees recognise the need to hold investment managers and advisers to account. Whilst the day-to-day management of the Plan's assets is delegated to the Investment Manager, all other investment decisions including strategic asset allocation and selection

and monitoring of Investment Managers is based on advice received from the Investment Consultant. Mercer Limited has been appointed for this purpose.

In November 2019, the Trustee put in place investment objectives for its Investment Consultancy Provider, Mercer, and its performance will be reviewed on a regular basis.

The objectives may be revised at any time but will be reviewed at least every three years, and after any significant change to the Plan's investment strategy and objectives. The intention of these objectives is to ensure the Trustee is receiving the support and advice it needs to meet its investment objectives. The objectives set covered both short and long term objectives across strategy, monitoring, compliance and regulation, client servicing and relationship management and member engagement and communications.

5. Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustees' policy on Environmental, Social and Governance ("ESG") issues as well as climate change. This policy sets out the Trustees' beliefs in this regard, and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees believe that good stewardship and ESG issues may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees take in to account the expected time horizon of the Plan when considering how to integrate these issues in to the investment decision making process.

The Trustees have given their appointed investment manager full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis by receiving updates from investment managers and by Mercer providing the Trustees with ESG ratings for the strategies in which the Plan invests.

A change in ESG rating (or lack of ESG rating) does not mean that the investment manager will be removed or replaced automatically but the Trustees will discuss rating changes and decide if any action should be taken.

Legal & General Investment Management ("LGIM"), who manage all of the Plan's invested assets, will be expected to report on their own ESG policies as and when requested by the Trustees.

The Trustees requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. The investment manager confirmed that they are signatories of the UK Stewardship Code 2020 that took effect on 1 January 2020.

LGIM believe that they have fully applied each of the principles in its investment stewardship activity during the year to 5 April 2022, and they have submitted the 2021 Active Ownership Report to the FRC as its response to the UK 2020 Stewardship Code.

The performance of the investment manager is reviewed by the Trustees on a bi-annual basis. This includes monitoring of ratings (both general and specific to ESG) from the investment adviser and consideration of how the investment manager is delivering against their specific mandate.

The Trustees also received details of relevant engagement activity for the year from each of the Scheme's investment managers, which are set out in the section below.

6. Voting and Engagement Activity

The Trustees delegate engagement and stewardship activities to LGIM, and expect LGIM (and any other investment managers they may appoint in the future) to be signatories of the UK Stewardship Code. LGIM has been a signatory to the UK Stewardship Code every year since its inception, including the 2020 UK Stewardship Code.

The Trustees have delegated their voting rights to LGIM, who are expected to provide voting summary reporting on a regular basis, at least annually. When LGIM presents to the Trustees, the Trustees or investment consultant may ask them to highlight key voting activity. The Trustees do not use the direct services of a proxy voter.

LGIM note that they have established a fully integrated framework for responsible investing to strengthen long-term returns. Their framework for responsible investing is based on stewardship with impact and active research across asset classes. These activities enable LGIM to deliver responsible investment solutions to their clients and conduct engagement with the aim of driving positive change.

LGIM describe their core responsible investment beliefs as follows:

1. *"Responsibility: We have a responsibility to many stakeholders. When we allocate capital, we conduct extensive research into potential environmental and societal outcomes.*
2. *Financial materiality: We believe ESG factors are financially material. Responsible investing is essential to mitigate risks, unearth opportunities and strengthen long-term returns.*
3. *Positive outcomes: We strive to effect positive change in the companies and assets in which we invest, and for society as a whole."*

There are 38 LGIM employees with roles dedicated to ESG activity. In addition, there are a further 58 colleagues whose roles involve a very substantial contribution to their responsible investing capabilities and whose objectives reflect this, although their responsibilities are broader than solely ESG.

A key pillar of LGIM's approach to index strategies is active ownership: encouraging companies to consider sustainability risks, develop resilient strategies and consider their stakeholders. They also seek to tackle sustainability risks in some strategies on a product level using tools such as ESG scoring, 'tilting' and exclusions, via index construction or design.

A summary of the voting activity undertaken by LGIM on behalf of the Trustees over the 12 month period to 31 March 2022 (the latest date available prior to 5 April 2022) is set out

below. This in relation to the Plan's holdings in the World Equity Index Fund, and the Dynamic Diversified Fund.

In regards to the Plan's LDI holdings, LGIM have more limited scope for engagement as they have no voting rights. In regards to the buy and maintain credit holdings, again there is limited power as bond investors to formally vote on engagement issues. Despite this challenge, LGIM do formally engage with companies to get greater clarity and raise issues that concern them.

LGIM defines a "significant vote" as follows:

- High-profile votes which may be controversial and therefore subject to a degree of client and/or public scrutiny
- Votes with significant client interest
- Sanction votes as a result of a direct or collaborative engagement
- Votes linked to an LGIM engagement campaign, in line with their Investment Stewardship team's five year engagement policy

World Equity Index Fund

- There were 3,079 votable meetings over the year. In these meetings, there were a total of 36,675 votable proposals. The investment manager participated in the vote for 99.8% of the total votable proposals. In votes where the investment manager participated, they voted with management in 80% of proposals and against management in 19% of proposals. The manager abstained in less than 1% of the proposals.
- Details in relation to significant votes undertaken are publicly shared in the manager's website. Over the year, significant votes were undertaken in regards to companies including Apple, Microsoft, Amazon and Facebook.

Dynamic Diversified Fund

- There were 9,010 votable meetings over the year. In these meetings, there were a total of 90,252 votable proposals, and of these the investment manager participated in c. 99% of the votes. In votes where the investment manager participated, they voted with management in 79% of proposals and against management in 20% of proposals. The manager abstained in less than 1% of the proposals.
- Details in relation to significant votes undertaken are publicly shared in the manager's website. Over the year, significant votes were undertaken in regards to companies including NextEra Energy, Union Pacific Corporation, Microsoft and Amazon.