



# J Barbour & Sons Limited 2015 Pension Scheme – Implementation Statement

Year to 30 April 2024

# Background and Implementation Statement

## Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustees' fiduciary duty.

## Implementation Statement

This Implementation Statement is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles ('The SIP'). The Scheme's current SIP is dated February 2024 and is available here: <https://www.barbour.com/uk/mwdownloads/download/link/id/20/>

The Implementation Statement details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP;
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate;
- voting behaviour covering the reporting year up to 30 April 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

## Summary of key actions undertaken over the Scheme reporting year

- The Trustees agreed to restructure the Liability Driven Investment ("LDI") hedging assets with LGIM to ensure the level of hedging remained appropriate. The new solution was implemented in November 2023.
- Isio delivered an ESG training session to the Trustees to provide an overview of the current sustainability regulations, deep dive into ESG risks such as climate change and outline potential considerations and next steps.
- Isio prepared a Sustainability Integration Assessment ("SIA") report on behalf of the Trustees that set out Isio's assessment of the ESG capabilities of each of the Scheme's underlying investment managers and identified areas for engagement.

### **Implementation Statement**

This report demonstrates that J Barbour & Sons Limited 2015 Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

**Signed:** Trustees of the J Barbour & Sons Limited 2015 Pension Scheme

**Date:**

# Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks on a Technical Provisions basis,	<p>The Scheme has an LDI mandate in place to manage these risks.</p> <p>The LDI mandate was reviewed during the reporting year, and a new solution was implemented in November 2023 that better matches the Scheme's liabilities.</p>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Scheme holds collateral with LGIM to cover any potential recapitalisation events.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Scheme employs an investment strategy which is diversified across asset classes and hedges out unrewarded investment risk (i.e. the Scheme's LDI mandate hedging interest rate and inflation risk).
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	Credit risk is minimised by the Scheme's exposure across a range of different sectors and geographies.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> <li>5. UN PRI Signatory</li> </ol> <p>The Trustees monitor the managers on an ongoing basis.</p>	During 2024, Isio conducted a Sustainability Integrated Assessment on behalf of the Trustees which reviewed the ESG credentials of the Scheme's managers. The Scheme's investments were reviewed through Isio's ESG Manager Review Framework, assessing each manager and Fund on key areas, such as their investment approach, risk management and collaboration.

			<p>The results of the SIA report were presented to the Trustees in June 2024. The Scheme scored an overall rating of "light green" (meets traditional criteria) on ESG and a "green" rating (meets additional sustainable criteria) on Climate, meaning that it scored strongly on most (but not all) of Isio's ESG and climate criteria.</p> <p>A score and list of proposed actions was produced for each Fund. Isio will engage with the investment managers on these actions to hopefully improve future scores. The Trustees will monitor the investment managers' progress on these actions over the following years.</p> <p>Further detail provided later in this report.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	The Scheme's investment managers hedge currency risk where appropriate, within the funds which the Scheme invests in.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	There is no policy related to this factor at this time.

# Changes to the SIP

Over the 12-month period to 30 April 2024, the Trustees agreed to make changes to the SIP to reflect guidance from the regulator, which focused on documenting the collateral call process.

## Policies added to the SIP

Date updated: February 2024

### **Leverage and collateral management**

- The Trustees will adhere to relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio.
- The Trustees have a stated collateral management policy. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will review and stress test this policy on a regular basis.
- Further details on this can be found in the SIP.

# Implementing the current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following page outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Scheme's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

### Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	<p>The Trustees investment managers provide reports on how they have engaged with issuers regarding social, environmental, and corporate governance issues.</p> <p>Where desired or required, the Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters.</p>	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustees policies in this area.</p>



## Areas of assessment and ESG beliefs

<b>Risk Management</b>	<ol style="list-style-type: none"> <li>1. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustees.</li> <li>2. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.</li> </ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"> <li>3. The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities.</li> <li>4. The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will allocate to these sectors.</li> <li>5. The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.</li> </ol>
<b>Reporting &amp; Monitoring</b>	<ol style="list-style-type: none"> <li>6. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.</li> <li>7. The Trustees believe that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance.</li> <li>8. The Trustees want to understand the impact of voting &amp; engagement activity within their investment mandates.</li> </ol>
<b>Voting &amp; Engagement</b>	<ol style="list-style-type: none"> <li>9. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge.</li> <li>10. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.</li> </ol>
<b>Collaboration</b>	<ol style="list-style-type: none"> <li>11. Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD.</li> <li>12. The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues.</li> </ol>



# ESG summary and actions with the investment managers

The Trustees are satisfied with the current process for ESG considerations and have additionally received and reviewed Mobius Life's ESG policy. Isio conducted a Sustainability Integrated Assessment in 2024 which reviewed the ESG credentials of the Scheme's managers and funds on behalf of the Trustees. The assessment reviewed each manager's investment philosophy and approach to incorporating ESG factors and assessed whether these approaches are in line with that of the Trustees. In the table below Isio have included an updated summary of each manager's ESG credentials and the Trustees points for engagement. Through Isio, the Trustees continues to engage with the Scheme's investment managers on both their ESG approach and engagement. Further information on each manager and fund can be found in the 2024 SIA report.

Manager / Fund	ESG Summary	Key Actions identified
<b>LGIM Buy &amp; Maintain Credit</b>	<p>LGIM is considered one of the market leaders in implementing ESG policies within their funds.</p> <p>Buy and Maintain allows a significant degree of ESG integration due to strong data availability and a requirement to consider long-term factors to facilitate holding bonds to maturity.</p> <p>LGIM have implemented a fund-level climate objective which aims for a 50% reduction of 2019 carbon emission levels by 2030. Implementation of this objective has allowed the fund to achieve an article 8 label since 31 December 2022.</p>	<p>Investment Approach – Formally assess the effectiveness of green bonds.</p> <p>Stewardship – Increase engagement as a % of the portfolio, since this appears to be lower than peers.</p> <p>Reporting – Include social metrics and engagement details in regular fund reporting.</p>
<b>M&amp;G Total Return Credit Investment</b>	<p>M&amp;G boasts a robust company-wide ESG strategy, illustrating their competency in managing ESG risks within the Fund. However, the ESG reporting lags against peers in the market, as M&amp;G do not produce detailed ESG metrics and tracking for the assets contained within the portfolio.</p> <p>M&amp;G have launched a 'sustainable' version of the fund with a greater focus on impact investments to cater for clients with stronger ESG objectives.</p>	<p>Investment Approach – Implement a fund-level ESG policy.</p> <p>Stewardship – Formalise stewardship priorities at the fund level and increase proportion of underlying portfolio assets that are engaged with.</p> <p>Reporting – Disclose ESG ratings for assets held in the Fund in quarterly reporting.</p> <p>Reporting – Continue to improve data coverage and reporting metrics.</p>
<b>LGIM LDI</b>	<p>LGIM is actively committed to integrating ESG considerations into LDI funds. Their dedicated ESG team plays a crucial role in stewardship and responsible investment, ensuring premium risk management through their proprietary tools.</p> <p>At a firm level LGIM is strong in their approach to ESG and Stewardship.</p>	<p>Investment Approach – Provide better incentives, more choice and encouragement to investors for using Active ESG tool to maximise engagement, improving outcomes.</p> <p>Risk Management – Introduce a formal ESG training program with defined training priorities.</p> <p>Reporting – Increase GHG data coverage for holdings within the fund.</p>

# Engagement

The Trustee has appointed Mobius Life as the platform provider which implements policies on their behalf. Mobius Life has adopted the managers definitions of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and Mobius Life has shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, Mobius Life informs the managers what they deem most significant.

Please see attached document from Mobius Life for details on engagement and voting actions including a summary of the activity, covering the 12-month period ending 30 April 2024.

# Voting (for equity and multi-asset funds only)

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Please note, this section does not apply to the Scheme's current holdings as the funds held do not have shareholder voting rights.

