



# Johnson & Starley Limited Pension Scheme

September 2021

# Background and Implementation Statement

## Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

## Statement of Investment Principles (SIP)

The SIP can be found online at the web address <https://www.johnsonandstarley.co.uk/sites/default/files/downloads/STATEMENT%20OF%20INVESTMENT%20PRINCIPLES%202010..pdf>.

## Implementation Report

This implementation report is to confirm that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- 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 31 March 2021 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Subsequent to the reporting period, the Scheme onboarded with Isio as their investment consultancy provider and are in the process of conducting a comprehensive strategy review which will include a review of the Trustees' objectives, invest risks and mitigation and the Trustees' ESG policy.

## Implementation Statement

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

**Signed** Signed by Kathryn Davenport, Trustee, 30th September 2021

**Position**

**Date**

# Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to the end of 31 March 2021.

Fund name	Engagement summary	Commentary
<p><i>Legal &amp; General (LGIM) World (ex UK) Equity Index Funds</i></p>	<p>LGIM currently do not provide details of their engagement activities at Fund level; however, this is something they are looking to implement from Q2 2021. Isio remains in contact with LGIM surrounding the firm's engagement reporting.</p>	<p>LGIM have firm-wide ESG policies which are available on their website, an extract of which can be found below:</p> <p>LGIM are long-term investors and have a longstanding commitment to raising corporate governance and sustainability standards to ultimately enhance the value of companies in which they invest.</p> <p>LGIM view the consideration of ESG issues as part of risk management, and therefore part of their fiduciary duty.</p> <p>LGIM believe they have a responsibility to address long-term issues, evolving regulatory hurdles and shifting societal demands that will impact the value of clients' assets.</p> <p>Direct engagement with companies or regulators is an opportunity for LGIM to have an open discussion on key strategic and ESG topics, and also to voice their concerns and push for change.</p>

Legal & General (LGIM) UK Equity Index	See above	See above
M&G PP all Stocks Corporate Bond Fund	<p>Total Engagements: 25</p> <p>Environmental: 8</p> <p>Social: 2</p> <p>Governance: 15</p>	<p>M&amp;G undertakes constructive engagement with management of companies that aims to better understand ESG strengths and weaknesses,</p> <p>Examples of significant ESG activities with portfolio projects include:</p> <p><b>Heathrow</b> – Engagement with the management in a series of meetings on the proposed covenant waivers and amendments related to Covid-19 impact.</p> <p><b>BP</b> – Co-signing a letter to support changes to BPs accounts assumptions, which was the culmination of a large amount of lobbying to get Exploration and Production companies to be realistic about demand and pricing assumptions under a Paris aligned world.</p>
Slater Investments	<p>Slater investments currently do not provide details of their total engagement activities figures, however Isio will keep in contact with Slater Investments surrounding the firm's engagement reporting.</p>	<p>Slater Investments follows an investment process that specifies that they invest in companies that are well managed with high standards of corporate governance in order to help mitigate risk and lead to superior long-term performance.</p> <p>Example of significant ESG activities with portfolio projects include:</p> <p><b>All companies</b> – Wrote an open letter to Chair of the Remuneration Committee regarding best practice.</p> <p><b>Supermarket Income REIT</b> – Engaged with with management on the ability to improve the environmental performance of the Company. The management believe their</p>

		<p>responsibilities are limited as properties are controlled by the tenants (on fully repairing and insuring leases). Slater have highlighted that, in due course, all buildings' activities would be captured by SUPR's scope 3 emissions and maintaining environmental standards and EPC ratings will be important for maintaining long-term value destruction.</p>
<p>Insight Liquidity Plus Fund 3</p>	<p>Insight currently does not provide details of their total engagement activities figures, however, Isio continues to keep in contact with Insight surrounding the firm's engagement reporting.</p>	<p>Insight do not directly engage with companies solely for the benefit of the ILF+ Funds, and so engagement occurs at an issuer level and is driven by the responsible investment team.</p> <p>An example of ESG activity includes:</p> <p><b>Credit Suisse</b>– Insight engaged with CS to highlight uneasiness around their governance. This was followed up with a call to address specific governance issues and discuss implementing measures to amend their shortcomings.</p>

# Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Legal and General (LGIM) World (ex UK) Equity Index Fund	<p>Votes available:40,987</p> <p>Votes cast: 40,921</p> <p>Votes 'for' management:33,302</p> <p>Votes 'against' management: 7,395</p> <p>Votes abstained: 225</p>	<p><b>Qantas Airways Limited</b> – LGIM votes against the approval of participation of Alan Joyce in the long-term incentive plan and supported the remuneration report.</p> <p>In response to impacted financials following the COVID crisis, the company raised significant capital to be able to execute its recovery plan, as well as cancelling dividends and terminating employees. These circumstances triggered extra scrutiny from LGIM, raising concerns as to the quantum of the long-term investing plan. LGIM voted against the resolution to highlight its concerns and the challenges of factoring in the impact of the COVID crisis into the executive remuneration package.</p>	<p>All voting decisions are made by LGIM's Investment Stewardship team and in accordance with their Corporate Governance &amp; Responsible Investment and Conflicts of Interest policy documents which are reviewed annually.</p> <p>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.</p> <p>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.</p>
Legal and General (LGIM) UK Equity Index Fund	<p>Votes available:12,574</p> <p>Votes cast: 12,574</p> <p>Votes 'for' management:11,686</p> <p>Votes 'against' management: 886</p> <p>Votes abstained: 1</p>	<p><b>Barclays</b> – LGIM votes for the approval of Barclay's commitment in Tackling Climate Change and voted for the approval of ShareAction Requisitioned Resolution.</p> <p>The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction.</p>	See above

		<p>Following the positive result of the vote, LGIM's focus will now be to help Barclays on the detail of their plans and targets, with more detail to be published later in 2021.</p> <p>LGIM plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction to drive positive change.</p>	
Slater Investments	<p>Votes available: 1,015</p> <p>Votes cast: 1,015</p> <p>Votes 'for' management: 802</p> <p>Votes 'against' management: 213</p> <p>Votes abstained: 0</p>	<p><b>AFH Financial</b> – The management had put a takeover bid to a shareholder vote. Slater Investment votes against the motion.</p> <p>Their rationale for this decision was that the recommended takeover bid was not in the best interest of shareholders. Following the vote, the company was unable to pass the initial bid and so went back to the buyer and received an updated bid.</p>	<p>All of Slaters Investments voting decisions are undertaken in-house and in accordance with its corporate governance guidelines and stewardship code, taking account of their investors' best interests.</p> <p>It is Slaters Investments' policy to engage actively with the management of investee companies to monitor their performance, strategy, risk, governance, culture, and remuneration to ensure they meet required standards.</p>

