



J Barbour & Sons Limited 2015 Pension Scheme - Implementation Statement

September 2021

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve the 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 Scheme updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change; and
- policies on the stewardship of the investments.

The SIP can be found online at the web address:

https://www.barbour.com/media/wysiwyg/PDF/02_SIP_Draft_Sept2019_Clean_.pdf
Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report 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; and
- voting behaviour covering the reporting year up to 30th April 2021 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

Implementation Statement

This report demonstrates that the 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

Position

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 c.100% of these risks on a Technical Provisions basis.	The Scheme has an LDI mandate in place to manage these risks. This mandate should be reviewed periodically to ensure it appropriately matches the Scheme's liabilities.
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.	ESG is taken into account as part of Isio's standard due diligence and ongoing research and as such is a consideration in the selection of the Scheme's platform provider.	The Scheme monitor the appointed platform provider and, to some extent, the underlying investment managers to ensure that they are managing ESG risks in an appropriate manner.
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.

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	The Trustees' investment managers provide reports on how they have engaged with issuers regarding social, environmental, and corporate governance issues.	The manager has not acted in accordance with their policies and frameworks. The manager's policies are not in line with the Trustees' policies in this area.

Areas of assessment and ESG beliefs

Risk Management	<ol style="list-style-type: none">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.2. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.
Approach / Framework	<ol style="list-style-type: none">3. The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities.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.5. The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.
Voting & Engagement	<ol style="list-style-type: none">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.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.8. The Trustees want to understand the impact of voting & engagement activity within their investment mandates.
Reporting & Monitoring	<ol style="list-style-type: none">9. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge.10. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.
Collaboration	<ol style="list-style-type: none">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.12. The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues.

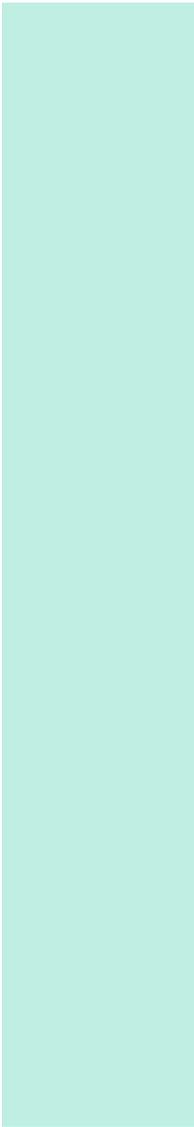
ESG summary and actions with the investment managers

The Trustees are satisfied with the current process for ESG considerations and have additionally reviewed and received Mobius Life's ESG policy. The Scheme has not conducted an Impact Assessment on their underlying investment managers for these reasons reason, so a summary of the underlying manager's ESG policies is not available. Should the Scheme decide to undertake an impact Assessment, we will provide this information going forward.

Engagement

As the Scheme invest via fund managers, Isio engaged with managers requesting details on their engagement actions including a summary of the engagements by category for the 12-month period to the 30th April 2021.

Manager name	Engagement summary	Commentary
LGIM	<p>Isio have contacted LGIM regarding acquiring data on their engagements with portfolio companies and counterparties.</p> <p>LGIM have been unable to provide specific examples of engagements within the funds which the Scheme invests but have been able to provide their active ownership report and ESG impact report. A segment from their ESG report outlining where LGIM focus their engagement efforts is shown to the right.</p> <p>We are disappointed with LGIM being unable to provide examples of their engagement and believe this call into questions the strength of their framework and reporting of engagements.</p>	<p>" Holding boards to account</p> <p><i>To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.</i></p> <p>Creating sustainable value</p> <p><i>We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We</i></p>



engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change."

Voting

As the Scheme invest via fund managers, Isio engaged with managers requesting details on their voting action. LGIM were able to provide voting information for the 12-month period leading up to 31 March 2021.

Fund name	Voting Summary	Examples of significant votes	Commentary
LGIM – UK Equity Index Fund	<i>Votable Proposals : 12,547 Proposals Voted : 12,547 For votes : 11,686 Against votes : 887 Abstain votes : 1</i>	Imperial Brands plc: LGIM voted against approving the remuneration policy of the firm due to concerns around the base salary of a new and inexperienced CEO	LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.
LGIM – North America Equity Index Fund	<i>Votable Proposals : 9,495 Proposals Voted : 9,495 For votes : 6,816 Against votes : 2,675 Abstain votes : 4</i>	ExxonMobil: LGIM voted against the resolution to elect Darren W. Woods to the board of directors due to concerns around the firms lobbying policies and dedication to tackling climate change	
LGIM – Europe (ex UK) Equity Index Fund	<i>Votable Proposals : 11,412 Proposals Voted : 11,399 For votes : 9,609 Against votes : 1,740 Abstain votes : 60</i>	Lagardere: LGIM voted for the election of 5 of the 8 proposed members to a Supervisory Board to the Board of directors due to the slow pace of change in strategy from the company.	
LGIM – Japan Equity Index Fund	<i>Votable Proposals : 6,518 Proposals Voted : 6,518 For votes : 5,611 Against votes : 907</i>	Olympus Corporation: LGIM voted against the proposal to elect	

		Takeuchi Yasuo to the board to concerns surrounding diversity
LGIM – World Emerging Markets Equity Index Fund	<i>Votable Proposals : 36,036</i> <i>Proposals Voted : 35,996</i> <i>For votes : 30,683</i> <i>Against votes : 4,821</i> <i>Abstain votes : 492</i>	LGIM don't consider any of the votes cast in this period as significant votes. Given the noticeably larger number of proposals voted on for this fund compared to LGIM's other equity funds, this raises questions on how LGIM classify votes as significant or not.
LGIM – Asia Pacific (ex Japan) Equity Index Fund	<i>Votable Proposals : 5,150</i> <i>Proposals Voted : 5,150</i> <i>For votes : 4,008</i> <i>Against votes : 1,141</i> <i>Abstain votes : 1</i>	Whitehaven Coal: LGIM voted against growth and expansion projections due to the uncertainty of future energy mix requirements, deciding instead to advocate for capital to be returned to investors.

