

Scobie & Junor (Holdings) Limited Group Pension Scheme – Annual Engagement Policy Implementation Statement

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 2020. 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.

Investment Objectives of the Scheme

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

- To make sure that the Scheme can meet its obligations to the beneficiaries of the Scheme.
- To pay due regard to the interests of Scobie & Junor (Holdings) Ltd on the size and incidence of contribution payments

These objectives highlight the twin concerns of meeting the obligations of the Scheme while paying due regard to the pension cost.

Review of the SIP

During the year, the Trustee reviewed the Scheme's SIP in September 2019 in order reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to include policies in relation to:

- What financially material considerations are taken into account in selecting and retaining the Scheme's investments including ESG considerations and specifically, climate change.
- The extent to which non-financial matters are taken into account in selecting and retaining investments – that is, the views of Scheme members and beneficiaries on ethical, social and environmental matters.
- The approach to stewardship of investments – that is, exercising investment voting rights and engaging with companies in which the Trustee invests.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in 2019.

Implementation Statements on SIP policies and Engagement Policy

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Engagement

- The Scheme's investment manager has confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020. The Trustees will continue to engage with their manager on the UK Stewardship Code and its relevance.
- The Scheme's investment performance is reviewed by the Trustees on an ad-hoc basis – going forward, they will review ratings (both general and specific to ESG) from the investment consultant.
- The Trustees also requested details of relevant engagement activity for the year from the Scheme's investment manager.
 - o The Scheme's manager provided examples of instances in which they had engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives were driven mainly through regular engagement meetings with the companies that the manager invests in or by voting on key climate-related resolutions at companies' Annual General Meetings.
 - o The Scheme's investment manager engaged with companies over the year on a wide range of different issues including governance, environmental impact, remuneration, board composition and strategy.

Voting Activity

The Trustees have delegated their voting rights to the investment manager.

The investment manager is expected to provide voting summary reporting (where applicable) on a regular basis, at least annually. The reports are not currently reviewed by the Trustees, but the aim is for these to be reviewed on an annual basis going forwards as part of the wider review of the Scheme's investment manager.

The Trustees expect to be more active in challenging the investment manager in relation to voting and engagement in the future. It is expected that if the investment manager presents to the Trustees at future meetings, the Trustees will ask the investment manager to highlight key voting activity and the impact on the portfolio.

The Trustees do not use the direct services of a proxy voter.

All of the Scheme's investments are managed by Legal and General Investment Management (LGIM) within a range of pooled equity funds which comprise 100% of Scheme assets.

Implementation Statements on SIP policies and Engagement Policy

Over the 12 months to 30 June 2020, the key voting activity on behalf of the Trustees was as follows:

- LGIM directly engages with companies and does not use a third party to vote on its behalf.
- Over 2019 as a whole LGIM engaged with 493 companies, voted on 50,900 resolutions, opposed the election of more than 4,000 company directors globally and opposed 35% of pay packages globally. More specifically over the first two quarters of 2020 LGIM engaged with a further 210 companies, with Remuneration being the top engagement topic. LGIM voted on a further 48,500 resolutions over the first two quarter of 2020.
- Furthermore, LGIM co-filed their first shareholder resolution, which led to oil major BP adopting industry-leading climate Targets. Furthermore, LGIM took sanctions against 11 companies named as laggards under their Climate Impact Pledge.
- Over the 12 months to 30 June 2020, the Trustees did not challenge the manager on its voting activity. Going forward, the Trustees will review and may challenge voting activity.

For and on behalf of the Trustees of the Scobie & Junor (Holdings) Limited Group Pension Scheme

November 2020