

# John Swire & Sons Pension Plan – Implementation Statement

**Statement of Compliance with the John Swire & Sons Pension Plan’s Stewardship Policy for the year ending 31 December 2021.**

## Introduction

This is the Trustees’ statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Plan’s Stewardship Policy during the period from 1 January 2021 to 31 December 2021.

## Stewardship policy

The Trustees’ Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Plan’s assets which includes the Trustees’ approach to;

- exercising of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment manager and any other stakeholders.

The Plan’s Stewardship Policy is reviewed periodically and was last reviewed in line with the Plan’s Statement of Investment Principles (SIP) review which was last completed on 16 September 2020. There were no changes to the Trustees’ Stewardship Policy made over the last year.

You can review the Plan’s Stewardship Policy which can be found within the Plan’s Statement of Investment Principles, at <http://standard-brochureware-live.azurewebsites.net/media/3820/210304-jss-statement-of-investment-principles-final.pdf>.

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Plan’s investment manager. The Trustees believe it is important that their investment manager takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company’s financial performance.

The Trustees’ own engagement activity is focused on their dialogue with their investment manager which is undertaken in conjunction with their investment advisors. The Trustees meet with their manager on an ad hoc basis to discuss the manager’s exercise of their stewardship.

The Trustees also monitor their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Plan’s Stewardship Policy over the last year.

## Voting activity

The Trustees seek to ensure that their manager is exercising voting rights and where appropriate, to monitor managers voting patterns.

The Trustees invest in equity assets through several different funds managed by Legal & General Investment Management (“LGIM”). LGIM have reported on how votes were cast in each of these funds however, the manager has not provided details on the most common issues in the cases where votes were cast against management. During their meeting with the Trustees in January 2022, LGIM highlighted that board remuneration was one of the most common matters on which they opposed the resolutions.

A summary of the manager’s voting activity over the year is provided below. Please note that all asset allocations are as at 31 December 2021.

Strategy/Fund name	UK Equity Index Fund	North America Equity Index Fund	Europe (ex UK) Equity Index Fund	Japan Equity Index Fund	Asia Pacific (ex Japan) Developed Equity Index Fund	World Emerging Markets Equity Index Fund
Proportion of the JSS section's assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Proportion of the SES section's assets	11.5%	9.7%	7.7%	4.6%	4.5%	10.9%
Proportion of the FPF section's assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
No. of meetings eligible to vote at during the year	707	638	463	442	329	3,627
No. of resolutions eligible to vote on during the year	9,923	7,846	7,665	5,306	2,308	31,303
% of resolutions voted	100.00%	99.73%	99.97%	100.00%	100.00%	99.79%
% of resolutions voted with management	92.77%	70.95%	82.19%	86.26%	72.36%	81.82%
% of resolutions voted against management	7.23%	28.98%	17.45%	13.74%	27.34%	16.29%
% of resolutions abstained	0.00%	0.06%	0.37%	0.00%	0.30%	1.90%
% of meetings with at least one vote against management	45.69%	94.20%	75.38%	75.34%	66.87%	49.17%

### Significant votes

The Trustees have asked their investment manager to report on the most significant votes cast within the portfolios they manage on behalf of the Trustees. Where relevant, LGIM were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

Examples of significant votes reported by the manager are provided below.

#### Example 1

*Cineworld Group, 12 May 2021, Resolutions to re-elect three directors and elect one new director of the remuneration committee.*

*LGIM chose to escalate their vote position and cast a vote against the election/re-election of all members of the remuneration committee and the board chair of Cineworld. They have strong concerns about the structure of the long-term incentive plan granted to the executives, and its misalignment with the long-term interests of the company, its shareholders and other stakeholders. In particular, LGIM note the impact of COVID-19 on the company's financials and stakeholders, including furloughs for employees and the suspension of dividends. They also take into account the current social sensitivities around income inequality. LGIM already signalled its concerns about the pay package at the special shareholder meeting held in January 2021. Despite a significant vote against the proposed pay package (above 20%) by the company's shareholders, the manager is concerned with the lack of response from the company's remuneration committee and board.*

*The vast majority of shareholders supported all resolutions. LGIM will continue to engage with the company on the topic of remuneration and monitor any progress made.*

### **Example 2**

*Sumitomo Corporation, 18 June 2021, Resolution to Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement*

*Having reviewed Sumitomo Corporation's disclosures and engaged in dialogue with the company, LGIM decided to vote in favour of Shareholder Resolution 5, as described above. They note the company's efforts on the climate transition, in particular the enhanced commitments announced over the past couple of months. However, LGIM continue to have concerns regarding the alignment of interim pathways with a 1.5 degree scenario. They believe their support for the shareholder resolution will help signal the importance of the climate emergency for them as a large investor and their expectations for companies to align urgently with the goals of the Paris Agreement. LGIM look forward to engaging further and hope to see the company provide increased transparency around its short and medium-term targets and expedite its efforts to give shareholders comfort that it is on track to achieve its 2050 carbon neutrality commitment.*

*Only 20% of all shareholders supported this resolution but LGIM plan to continue to engage with the company on addressing climate change.*

### **Example 3**

*McDonald's Corporation, 20 May 2021, Resolution to Report on Antibiotics and Public Health Costs*

*LGIM voted in favour as they believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. They believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applaud the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, they believe AMR is a financially material issue for the company and other stakeholders, and they want to signal the importance of this topic to the company's board of directors.*

*The majority of shareholders voted against this resolution. LGIM will continue to engage with the company on this topic.*

#### Example 4

*Alibaba Group Holding Limited, 17 September 2021, Resolution to Elect Director Joseph C. Tsai*

*The manager voted against this resolution. LGIM have a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.*

*The resolution was supported by the majority of shareholders. LGIM will continue to engage with Alibaba and other investee companies on this matter. They also publicly advocate their position on this issue and will continue to monitor company and market-level progress.*

#### Example 5

*Daewoo Engineering & Construction Co. Ltd., 7 June 2021, Resolution to Elect Kim Hyeong as Inside Director*

*The manager voted against this resolution. LGIM view gender diversity as a financially material issue for their clients, with implications for the assets managed on their behalf. For 10 years, LGIM have been using their position to engage with companies on this issue. As part of their efforts to influence the investee companies on having greater gender balance, they expect all companies in which they invest globally to have at least one woman on their board. LGIM have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets.*

*The resolution was approved by shareholders. LGIM will continue to engage with the investee companies, publicly advocate their position on this issue and monitor company and market-level progress.*

#### Use of a proxy advisor

The Trustees' investment manager has made use of the services of the following proxy voting advisors over the year to 31 December 2021:

Manager	Proxy Advisor used
Legal & General Investment Management	ISS

#### Engagement activity

The Trustees hold meetings with their investment manager on an ad hoc basis. Stewardship issues are discussed in further detail then. The last meeting with LGIM took place shortly after the end of the last Plan year, on 25 January 2022.

#### Summary of manager engagement activity

During the January meeting, the Trustees received an update from LGIM on their engagement and voting activity. LGIM also discussed options for ESG integration in quoted equity investments, depending on the investor's target position on the "activity" spectrum and relative importance of the E, S and G factors.

Over the last year the Trustees have also reviewed LGIM's annual Active Ownership Report, which covers engagement carried out by the manager across all of their assets under management. The key statistics from the 2020 report are included below.

Topic	Environmental	Social	Governance	Other (e.g. financial and strategy)
<b>Number of engagements</b>	416	253	401	159

### Review of policies

The Trustees do not undertake a formal review of their investment manager's Responsible Investment ("RI") policies. However, a high level review of the key policies (conflict of interest, engagement etc) was carried out over the last year. In addition, their investment advisors provided the Trustees with an assessment of the manager's RI capabilities.

The Trustees and their advisors remain satisfied that the Responsible Investment policies of the manager and, where appropriate, the voting policies remain suitable for the Plan.