

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Scottish Leather Group Limited Retirement Benefits Scheme (the 'Scheme') – Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 30 September 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 2019 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 it has set. As set out in the SIP, the Trustee’s primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

The objectives set out above provide a framework for the Trustees when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and climate change. The policies in question were last approved on 1 September 2020.

In order to establish these policies, the Trustees discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies and agreed a new SIP setting these policies out on 5 September 2019. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Scheme’s Investment Structure

The Scheme’s only investment is a Trustee Investment Policy (‘TIP’) with Mobius Life Limited (‘Mobius’). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. JLT Investment Management (‘JLT IM’) has fiduciary responsibility for the selection of pooled funds on the Mobius platform. As such, the Trustees have no direct relationship with the Scheme’s underlying investment managers.

Trustee Engagement

In the relevant year the Trustees have not engaged with either Mobius, JLT IM, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change.

The Trustees are working with their investment consultant, Mercer, to consider actions that can be taken to engage with their underlying fund managers going forward. This includes the potential inclusion of ESG specific ratings within performance reporting (with ratings derived by the investment consultant) in the coming year and this will help to determine whether further action should be taken in respect of specific funds.

Voting Activity

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next years' statement.