

# J C Bamford Lifeplan (“the Plan”) Implementation Statement for 2019 Defined Benefit Regulations

Statement of Compliance with the J C Bamford Lifeplan’s Stewardship Policy for the year ending 5 April 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 6 April 2020 to 5 April 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:

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

The Plan’s Stewardship Policy is reviewed on an annual basis in line with the Plan’s Statement of Investment Principles (SIP) review which was last completed on 2 September 2020.

The following changes were made to the Stewardship Policy during the last year:

- Expansion of the delegation of investment decisions to the managers to cover appropriateness of the investments and consideration of the capital structure of investee companies;
- Explicit consideration of climate risk – both in terms of physical risks and the risks associated with the transition to a low carbon economy – as a material risk to the Plan; and
- Explicit acknowledgement that the Trustees consider any conflicts of interest arising in the management of the Plan and its investments and ensure the investment managers have appropriate conflicts policies.

You can review the Plan’s Stewardship Policy which can be found within the Plan’s Statement of Investment Principles, at <https://www.jcb.com/origin2017/~asset/14/47118>.

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Plan’s investment managers. The Trustees believe it is important that their investment managers take 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 managers which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their managers and the Trustees consider managers’ exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustees also monitor 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 managers are exercising voting rights and where appropriate, to monitor managers' voting patterns.

Throughout the year, the Trustees have held investments in equity assets through several different mandates. This includes BNY Mellon Global Equity Fund (disinvested from on 23 September 2020), Baillie Gifford Global Alpha Equity Fund (invested in on 15 June 2020), State Street Global Advisers (SSgA) Fundamental Index (GBP hedged) Global Equity Fund (invested in on 23 September 2020) and BNY Mellon Real Return Fund.

The Trustees' investment managers have reported on how votes were cast in each of these mandates as set out in the tables below.

BNY Mellon Global Equity Fund*	
Proportion of the Plan's assets as at 31 March 2021	0% (10.4% as at 31 August 2020)
No. of meetings eligible to vote at during the period	46
No. of resolutions eligible to vote on during the period	714
% of resolutions voted	98.2
% of resolutions voted with management	81.6
% of resolutions voted against management	18.4
% of resolutions abstained	0.0
% of meetings with at least one vote against management	48.0

\*Please note that the table provides statistics for the period 1 April 2020 – 30 September 2020 in line with the Lifeplan's investment period.

Baillie Gifford Global Alpha Equity Fund*	
Proportion of the Plan's assets as at 31 March 2021	15.1%
No. of meetings eligible to vote at during the period	40
No. of resolutions eligible to vote on during the period	401
% of resolutions voted	88.0
% of resolutions voted with management	98.0
% of resolutions voted against management	1.7
% of resolutions abstained	0.3
% of meetings with at least one vote against management	12.5

\*Please note that the table provides statistics for the period 1 July 2020 – 31 March 2021 in line with the Lifeplan's investment period.

SSgA Fundamental Index (GBP hedged) Global Equity Fund*	
Proportion of the Plan's assets as at 31 March 2021	15.3%
No. of meetings eligible to vote at during the period	826
No. of resolutions eligible to vote on during the period	7,941
% of resolutions voted	99.0
% of resolutions voted with management	89.0
% of resolutions voted against management	9.6
% of resolutions abstained	1.4
% of meetings with at least one vote against management	45.4

\*Please note that the table provides statistics for the period 1 October 2020 – 31 March 2021 in line with the Lifeplan's investment period.

BNY Mellon Real Return Fund*	
Proportion of the Plan's assets as at 31 March 2021	15.1%
No. of meetings eligible to vote at during the year	98
No. of resolutions eligible to vote on during the year	1,307
% of resolutions voted	99.2
% of resolutions voted with management	85.4
% of resolutions voted against management	14.6
% of resolutions abstained	0
% of meetings with at least one vote against management	38.0

\*Please note that the table provides statistics for the year ending 31 March 2021.

### Significant votes

The Trustees have asked their managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustees. The managers 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. From the managers' reports, the Trustees have identified the following examples of votes relevant for the Plan.

At present, SSgA are implementing a reporting system in line with Pensions and Lifetime Savings Association's (PLSA) requirements. Therefore, the Trustees recognise that availability of data on significant votes is limited. The Trustees will continue to engage with the manager to improve quality of reporting going forward.

## **BNY Mellon Global Equity**

### ***Amazon.com Inc. – 3.36% holding, 27 May 2020***

BNY Mellon supported several shareholder resolutions in relation to improving disclosure on food waste, diversity, human rights, governance and lobbying matters. On the other hand, BNY Mellon voted against the management's proposals which included the compensation report and election of members of the compensation committee due to lack of disclosure on what drives the size of the equity awards granted to executives.

The votes to elect new members of the compensation committee were supported by the majority of shareholders. All other motions voted on did not pass. However, the voting outcomes on many of the shareholder resolutions being in excess of 30% in favour implies that investors are increasingly concerned with certain aspects of how the company manages its exposure to matters such as human rights and political lobbying. BNY Mellon expect to continue engaging with the company and voting actively in support of improvements.

These votes were considered significant as Amazon has been subject to significant stakeholder scrutiny.

### ***Baillie Gifford Global Alpha***

#### ***Tesla Inc. - 1.62% holding, 22 September 2020***

Baillie Gifford supported a shareholder proposal in eliminating supermajority voting requirements from the company's bylaws and to adopt a simple majority voting standard, in line what the manager believes to be in shareholders' best interest. This resolution was first submitted at the 2019 meeting (at which Baillie Gifford also voted in favour) but despite receiving over 99% support, the vote did not pass as it failed to have the vote of 2/3 shares outstanding. This time the vote passed as the majority of shareholders supported the motion. Therefore, Baillie Gifford expect the change to be implemented by the company in due course.

This resolution is significant because it was submitted by shareholders and received greater than 20% support.

### ***BNY Mellon Real Return Fund***

#### ***Microsoft Corporation – 1.26% holding, 2 December 2020***

BNY Mellon voted against compensation arrangements and against three members of the compensation committee. Despite improvements to executive remuneration practices over recent years, BNY Mellon remain concerned that approximately half of long-term pay awards vest irrespective of performance. Additionally, BNY Mellon voted against the re-appointment of the company's external auditor given its independence had been jeopardised by having served the role for 37 consecutive years.

The motions were supported by the vast majority of shareholders and so all votes passed. BNY Mellon have engaged with the company over multiple years on the topic of remuneration arrangements and the manager noted that practices have been improving. BNY Mellon will continue to engage with Microsoft on this matter.

This vote is deemed significant as the company is a recognised leader amongst its US peers in its corporate governance approach. Its executive pay structure is also better than most but there still exists fundamental improvements that should be made.

### **SSGA Fundamental Indexation Equity Fund**

#### ***Swedbank AB – 7.3% holding, 25 March 2021***

SSGA abstained from voting on the proposal relating to climate change action. The manager noted that while the company's disclosures and practices related to climate change can be enhanced, they are currently broadly in line with the wider market and so no action is needed at present.

### Engagement activity

The Trustees hold meetings with their investment managers on a regular basis where stewardship issues are amongst various discussed topics. Over the last 12 months, the Trustees have met with 2 of their 7 managers, recognising limitations due to COVID-19 lockdown restrictions and reduced scope for engagement with the managers due to ongoing structural changes within the Plan's investment strategy.

The Trustees met with SSgA prior to the manager's appointment in June 2020. Stewardship approach was one of the aspects considered when approving the appointment.

The Trustees also met with Baillie Gifford, whose presentation focused on the Paris-aligned version of the Global Alpha Equity fund. Engagement with companies included in the standard version of the fund which do not meet the Paris-aligned criteria, was discussed during the meeting.

### Summary of manager engagement activity

Baillie Gifford and BNY Mellon issue quarterly reports on their engagement with the investee companies included in the pooled funds relevant for the Lifeplan. SSgA provide similar updates on a quarterly and annual basis, however these reports cover all assets under management and are not tailored specifically to the Lifeplan's mandates. All of these reports are reviewed periodically by the Trustees and their investment advisers.

The table below provides summary of the managers' engagement activity. Please note that the reporting periods are different for different managers and the Lifeplan's investment strategy changed significantly over the year. For these reasons, it was not possible to obtain data covering the full year ending 5 April 2021 for all managers.

Period	Manager	Number of engagements	Examples of topics engaged on
1 January 2020 – 31 December 2020	SSgA	2,412 across all assets under management (including comprehensive and through letter writing engagements)	Climate change, supply chain management, risk management, health and safety, bribery and corruption
1 April 2020 – 30 June 2020	BNY Mellon (Global Equity)	10	Climate change, remuneration, diversity and labour management, board effectiveness
1 April 2020 – 31 March 2021	BNY Mellon (Real Return)	58	Carbon neutrality, corporate culture, conduct and ethics, supply chain, remuneration
15 June 2020 – 31 March 2021	Baillie Gifford (Global Alpha Equity Fund)	68	Human rights, modern slavery, indigenous communities, climate change, board independence

### Use of a proxy adviser

The Trustees' investment managers have made use of the services of the following proxy voting advisers over the Scheme year:

Manager	Proxy Advisor used
SSgA	Institutional Shareholder Services (ISS)
BNY Mellon	Institutional Shareholder Services (ISS)

Baillie Gifford confirmed that they do not delegate any stewardship activities to proxy advisers as all client voting decisions are made in-house. However, the manager noted that views from specialist proxy advisers are considered in some instances when additional market specific insight is particularly useful, for example when voting on Chinese or Indian companies.

### **Review of policies**

The Trustees have committed to reviewing the managers' Responsible Investment (RI) policies on an annual basis. The first review was undertaken by the Trustees on 26 June 2020. It considered the managers' broader approach to responsible investment issues but was focused on three key themes chosen for the first year, namely gender diversity, climate change and board remuneration. For the equity mandates, the Trustees also considered voting policies and approach to prioritising engagement activity.

The Trustees and their advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies are suitable for the Plan. The next review of the managers' policies is scheduled for June 2021.

### **Cost transparency**

As the stewards of the Plan's assets, the Trustees are also responsible for reviewing costs associated with management of the assets to ensure that these accurately reflect value added by the managers and are broadly comparable with industry standards.

The Trustees' approach to monitoring these costs is set out in the SIP, which states that:

- The Trustees periodically review the fees paid to its investment manager against industry standards; and
- The Trustees will request turnover costs incurred by the asset managers over the Plan reporting year.

The Trustees have commissioned a comprehensive cost transparency analysis from ClearGlass, a third-party data analytics provider specialising in collecting cost data from asset managers and carrying out benchmarking exercises.

The analysis provided the Trustees with a greater understanding of the explicit and implicit costs charged within a portfolio. The Trustees are satisfied that the level of costs incurred by the Lifeplan is commensurate with the investment strategy adopted and is broadly in line with the wider market.

### **Member communication**

The Trustees issue annual newsletter to the members covering the Lifeplan's investment strategy, performance of the assets in the context of the wider market movements and actions planned for the year ahead. Over the year there were no changes to the Trustees' approach to communication with members.