

The Sutcliffe Speakman Pension & Life Assurance Scheme Implementation Statement for the year ended 31 March 2024

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Sutcliffe Speakman Pension & Life Assurance Scheme (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 31 March 2024 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

In Q1 2019, the Trustees received training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”) and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers’ own equivalent policies. The Trustees’ new policy was first documented in the updated Statement of Investment Principles dated September 2019. This was followed by an updated version dated September 2020 to reflect additional detail on stewardship and remains in the latest Statement of Investment Principles dated February 2024.

The Trustees’ updated policy

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s investment managers. The Trustees require the Scheme’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there has been one manager selection exercise. The Trustees, with advice from the Investment Consultant, decided to move the Scheme’s investment from the M&G Total Return Credit Investment Fund to the Legal & General Investment Management (“LGIM”) Global Diversified Credit SDG Fund. This Fund was deemed suitable for the Scheme by XPS Investment, using various criteria. One of the criteria - in acknowledgment of the Trustees’ policy - was that the manager had been found to have credible ESG capability, with decisions linked to that capability applied to the Fund to an acceptable degree. The manager and the Fund are both green rated for ESG by XPS.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Furthermore, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

Over the reporting year the Trustees received assurance from their investment managers that the managers were effectively undertaking stewardship activities on their behalf.

During the reporting year, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Scheme. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

One of the areas considered by the report was stewardship, which relates to influencing a company in which the Scheme is ultimately invested via the funds held within the Scheme's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment manager organisation in this area and on ESG matters overall. The Trustees concluded that the ESG capabilities of the investment managers were satisfactory for the Scheme overall, but noted that some practices were assessed as poor for some of the funds in which the Scheme invests. ESG issues will be kept under review as part of the quarterly monitoring process and the Trustees will communicate their concerns with the relevant investment manager organisations when, for example, they present at meetings.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at Trustees' meetings.

Adherence to the Statement of Investment Principles

The Trustees are satisfied that during the reporting year they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The assets that the Scheme held throughout the year (ending 31 March 2024) had no equity exposure and therefore no voting information was disclosed.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.

The Trustees confirm that this Implementation Statement is accurate and representative of the Trustees' investment policies followed during the year.

This Implementation Statement has been approved by the Trustees of the Sutcliffe Speakman Pension & Life Assurance Scheme and subsequently signed. For security reasons, signed copies of this statement are only available upon request.