



CH Johnson Pension Plan Implementation Statement

Year to 5 April 2023

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Plan has updated its SIP in September 2020 in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address <https://www.heimbach.com/de/heimbach-gruppe/downloads>

Implementation Report

This Implementation Report is to provide evidence that the Plan continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest in

Summary of key actions undertaken over the Plan reporting year

- Over the reported period, the Plan fully disinvested its holdings in the M&G Total Return Credit Investment 'TRCI' Fund for liquidity purposes. The Plan did not invest with any new managers over the reporting year.

Implementation Statement

This report demonstrates that CH Johnson Pension Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

| Risk / Policy | Definition | Policy | Actions |
|--------------------------------------|--|--|---|
| Interest rates and inflation | The risk of mismatch between the value of the Plan's assets and present value of liabilities from changes in interest rates and inflation expectations. | The Trustees aim to hedge this risk both directly and indirectly where appropriate and affordable. | The Plan maintains its level of hedging to better protect the Plan against interest rate and inflation risk. |
| Liquidity | Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment. | To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values). | The Plan's investment strategy includes an allocation to liquid mandates which allows for disinvestments to meet ongoing cashflow requirements. |
| Market | Experiencing losses due to factors that affect the overall performance of the financial markets. | To remain appropriately diversified and hedge away unrewarded risks, where affordable and practicable. | The Plan's allocation to Partners Group Partners Fund, Partners Group Multi Asset Credit Strategies V Fund and the Apollo Total Return Fund provide diversification to the Plan. |
| Credit | Default on payments due as part of a financial security contract. | To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default. | The Plan's allocation to Partners Group Partners Fund, Partners Group Multi Asset Credit Strategies V Fund and the Apollo Total Return Fund provide diversified exposure to credit markets. |
| Environmental, Social and Governance | Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments. | To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the managers on an ongoing basis. | The Trustees' policy on managing ESG related risks was reviewed by the Trustees as part of the SIP and IID update in September 2020. More details of the ESG policy and how it was implemented are presented later in this report. |
| Currency | The potential for adverse currency movements to have an impact on the Plan's investments. | To largely invest in GBP share classes where possible to eliminate direct currency risk. To largely invest with managers that hedge exposure to foreign currency risk in underlying holdings, except where active currency positions are held. | There were no changes to the policy during the 12-month period. |

Changes to the SIP

No updates were made to the Plan's SIP over the period to 5 April 2023.

The SIP was last updated on 28 September 2020.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan’s policy with regarding to ESG as a financially material risk. This page details how the Plan’s ESG policy is implemented, while the following page outlines Isio’s assessment criteria as well as the ESG beliefs used in evaluating the Plan’s managers’ ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Plan’s investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Plan’s ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

| Areas for engagement | Method for monitoring and engagement | Circumstances for additional monitoring and engagement |
|--|--|---|
| Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity | <ul style="list-style-type: none"> Through the manager selection process ESG considerations will form part of the evaluation criteria The Plan’s investment advisor Isio will monitor managers’ ESG policies on an ongoing basis | <ul style="list-style-type: none"> The manager has not acted in accordance with their policies and frameworks. |

Areas of assessment and ESG beliefs

| | |
|------------------------|--|
| Risk Management | <ol style="list-style-type: none"> ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustees. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy. |
| Approach / Framework | <ol style="list-style-type: none"> The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities. The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will allocate to these sectors. The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets. |
| Voting & Engagement | <ol style="list-style-type: none"> ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors. The Trustees believe that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance. The Trustees want to understand the impact of voting & engagement activity within their investment mandates. |
| Reporting & Monitoring | <ol style="list-style-type: none"> ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments. |
| Collaboration | <ol style="list-style-type: none"> Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD. The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues. |

Engagement

As the Plan invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 5 April 2023.

| Fund name | Engagement summary | Commentary |
|-------------------------------------|--|--|
| CT Short Profile Dynamic Funds | <p>Total Engagements: 17</p> <p>Broad Based ESG: 17</p> <p>Please note that the data above covers the 12 months to 31 March 2023.</p> | <p>CT was an early adopter of ESG risk management and have invested a significant amount of time and research in this area.</p> <p>CT appear to have gone beyond peers in the LDI space in terms of action, collaboration, and innovation, and have evidenced that they believe ESG factors are a crucial element of good risk management.</p> <p>For LDI portfolios, CT are only able to engage in dialogue with the counterparty banks that provide them with leverage to encourage them to identify and manage ESG risks.</p> <p>CT have shared their list of engagements over the period, demonstrating useful dialogue on matters such as, climate change, labour standards, business conduct and corporate governance. However, it is unclear the impact of these dialogues as CT awaits the outcome from their engagements.</p> |
| CT Sterling Liquidity Fund | <p>Total engagements: 9</p> <p>Broad Based ESG: 9</p> <p>Please note that the data above covers the 12 months to 31 March 2023.</p> | <p>CT have shared their list of engagements over the period.</p> <p>Whilst CT aim to have meaningful dialogue with companies, it is unclear the impact of these as CT await the outcome of their engagements.</p> |
| Partners Group Multi-Asset Credit V | <p>Total engagements: 4</p> <p>Broad Based ESG: 4</p> <p>Please note the data above covers the 12 months to 31 December 2022 as Partners Group only provide engagement data semi-annually.</p> | <p>Given the immaturity of the portfolio, fewer engagements are expected for the MAC V Fund at present. This is expected to increase as the Fund makes more investment.</p> <p>Examples of significant engagements include:</p> <p>Azets – PG engaged with the company regarding refinancing of the company’s capital structure. The original debt exposure was fully repaid.</p> <p>Kersia – PG engaged with the company to provide incremental financing supporting a large potential acquisition.</p> |
| Partners Group Partners Fund | <p>Partners Group were unable to provide details of engagement during this period.</p> | <p>Given the private market nature of the Fund, Partners Group are unable to share appropriate engagement data for the Fund.</p> |
| Apollo Total Return Fund | <p>Total engagements: 36</p> <p>Environmental: 10</p> <p>Social: 3</p> <p>Broad Based ESG: 23</p> <p>Please note that the data above covers the 12 months to 31 March 2023.</p> | <p>Examples of significant engagements include:</p> <p>Ecopetrol SA – Apollo engaged with the company to increase its efforts to develop alternative energy sources through its subsidiary. Furthermore, Apollo stressed the importance and need to disclose any conflicts on environmental and social factors with local communities.</p> <p>Ineos Finance PLC – Apollo engaged with the company to understand their exposure to animal testing and regulated chemicals.</p> |

Voting (for multi asset funds only)

As the Plan's only multi asset fund investment, voting is only relevant for The Partners Fund.

The manager provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2022 as the data is only produced every 6 months.

| Fund name | Voting summary | Examples of significant votes | Commentary |
|-------------------------------------|--|--|---|
| Partners Group The Partners Fund | <p>Meetings eligible to vote at: 58</p> <p>Resolutions eligible to vote for: 853</p> <p>Resolutions voted for: 853 (100%)</p> <p>Resolutions voted with management: 802 (94%)</p> <p>Resolutions voted against management: 34 (4%)</p> <p>Resolutions abstained from: 17 (2%)</p> <p>Note that the data above relates to the 12-month period to 31 December 2022 as Partners Group only provide voting data semi-annually.</p> | <p>Techem: Techem released its first sustainability report last year, and in July 2022, the business released its second corporate sustainability report, which covered the whole Techem Group. The report emphasises significant ESG accomplishments, with a particular emphasis on the Diversity & inclusion agenda and reaching climate neutrality by 2045.</p> | <p>Private market investments have the largest exposure in The Partners Fund, and these are typically held directly, where Partners Group controls the board and therefore the direction and strategy of the business.</p> <p>Partners Group hire the services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, to vote in-line with Partners Group's Proxy Voting Directive. Wherever the recommendations for Glass Lewis and the company's management differ, Partners Group vote manually on those proposals.</p> |

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.