

Scottish Sea Farms Defined Benefit Pension Scheme – Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 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 2018 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 for the Scheme. As set out in the SIP, these are as follows:

- To make sure that the Scheme will be able to meet its benefit obligations as they fall due;
- To, over time, move the Scheme to a fully funded self-sufficiency position, so that at some future point in time there will no longer be a requirement to rely on the Company's financial support to meet the Scheme's obligations;
- To invest the assets in a manner that has similar characteristics to the liabilities so as to minimise fluctuations in the Scheme's deficit (subject to the requirement to generate excess returns relative to the liabilities to attain a fully funded self-sufficiency level).

Review of the SIP

During the year, the Trustees reviewed the Scheme's SIP in September 2020 in order to set out in more detail the Trustees' policies in relation to the arrangements with the Scheme's investment manager, Legal & General Investment Management ("Legal & General").

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. The assets of the Scheme are managed entirely in fixed income securities, including corporate bonds and index-linked gilts, via pooled fund arrangements. The Trustees accept that they cannot directly influence how social, ethical and environmental considerations affect the selection of securities within the corporate bond pooled fund, however the Trustees have given Legal & General full discretion in evaluating ESG factors, including climate change considerations, when managing the corporate bond fund. Furthermore, as the assets held by the Scheme have no voting rights attached, the Trustees note that corporate governance voting issues are not relevant to the Scheme.

Engagement

The Scheme's investment manager has confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.

The Scheme's investment performance is reviewed by the Trustees at each Trustees' meeting. The investment manager's reporting, which is received quarterly and reviewed at Trustees' meetings, provides an overview of activity carried out by LGIM with regards to corporate governance and ESG. The Trustees continue to monitor the manager and take into consideration the type of mandate, recognising that it can be more difficult to integrate ESG in the asset classes in which the Scheme invests (e.g. LDI and corporate bonds), compared to equities for instance. The investment performance report includes detail on how the investment manager is delivering against their specific mandates.

Voting Activity

There was no voting activity in relation to the assets managed by LGIM during the year under review.

For and on behalf of the Trustees of the Scottish Sea Farms Defined Benefit Pension Scheme

March 2021