

## **Annual Implementation Statement – for scheme year ending 31 December 2023**

### **Johnson Diversey UK Pension Scheme**

#### **Introduction and purpose to this statement**

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Johnson Diversey UK Pension Scheme (the “Scheme”) covering the scheme year to 31 December 2023.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the engagement policy under the Scheme’s Statement of Investment Principles (“SIP”) has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this implementation statement will be made available on the following website <https://epa.towerswatson.com/accounts/SLD/public/scheme-information/> and included in the Trustee’s annual report and scheme accounts for the year to 31 December 2023.

#### **Review of the SIP and changes made during the Scheme year**

The SIP was last reviewed in October 2021 after which it was formally adopted by the Trustee following consultation with the Company. It reflected the decision of the Trustee to sell the property fund held with UBS and invest the proceeds in the Cash Fund in order to meet short-term benefit payments.

There have been no changes to the SIP during the period ending 31 December 2023. An investment strategy review was carried out as at 31 March 2023 and the Trustee has agreed to de-risk 50% from the existing Diversified Growth Funds. The transition is not yet complete. The next SIP will be updated to include the revised investment strategy following the completion of the transition.

#### **Adherence to the SIP**

**Overall, the Trustee believes the policies outlined in the SIP have been adhered to during the Plan year. The remaining parts of this Implementation Statement set out details of how this has been achieved. These details relate to those parts of the SIP which set out the Trustee’s policies, and not those which are statements of fact.**

## Trustee's voting and engagement policy

The Trustee's policies on voting and engagement, as stated in the SIP, are as follows:

- The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments and to encourage the investment managers to exercise those rights. The investment managers are expected to be able to provide regular reports for the Trustee detailing their voting activity. The Trustee will take corporate governance policies into account when appointing and reviewing such investment managers.
- The Trustee will generally take account of financially material considerations, over the length of time that the Trustee considers is needed for the funding of benefits by the investments of the Scheme. This may include (but is not necessarily limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change.
- In practice, as the Scheme only requires a modest return in excess of gilts to meet its long term self-sufficiency goal, the majority of the Scheme's assets are already invested in government securities and bulk annuities. Therefore, ESG considerations are only expected to impact a minority of the portfolio.
- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

The return-seeking assets of the Scheme are all held in two Diversified Growth Funds (DGFs), namely the LGIM Diversified Fund and the TWIM Partners Fund. Therefore, the Trustee's focus in this implementation statement is on these DGFs. Voting information on the Scheme's LDI funds is not provided since the vast majority of debt securities do not come with voting rights.

The Scheme's investment managers are signed up to the UK FRC Stewardship Code and the Trustee monitor the Scheme's investment managers' adherence to the Code. The latest statements of compliance for TWIM and LGIM can be found via the links below:

TWIM: <https://www.wtwco.com/en-gb/solutions/services/sustainable-investing-policy-and-climate-policy>

LGIM: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

## Summary of voting over the year to 31 December 2023

A summary of the votes made by LGIM and TWIM on behalf of the Trustee over the year to 31 December 2023 is provided in the table below:

Manager and strategy	Portfolio structure	Voting activity
<b>Towers Watson Investment Management Limited – Partners Fund</b>	Fund of funds	<ul style="list-style-type: none"> <li>• Number of meetings at which the manager was eligible to vote: 1,891</li> <li>• Number of resolutions on which manager was eligible to vote: 25,915</li> <li>• Percentage of eligible votes cast: 93.8%</li> <li>• Percentage of votes with management: 86.9%</li> <li>• Percentage of votes against management: 12.8%</li> <li>• Percentage of votes abstained from: 0.3%</li> <li>• Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 60.8%</li> <li>• Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 3.6%</li> </ul>
<b>Legal and General Investment Management – Diversified Fund</b>	Fund of funds	<ul style="list-style-type: none"> <li>• Number of meetings at which the manager was eligible to vote: 9,077</li> <li>• Number of resolutions on which manager was eligible to vote: 94,290</li> <li>• Percentage of eligible votes cast: 99.82%</li> <li>• Percentage of votes with management: 76.36%</li> <li>• Percentage of votes against management: 23.36%</li> <li>• Percentage of votes abstained from: 0.28%</li> <li>• Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 75.40%</li> <li>• Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 14.62%</li> </ul>

## Significant votes

The table below demonstrates the most significant votes cast on behalf of the Scheme over the year to 31 December 2023:

Fund	Most significant votes cast
TWIM Partners Fund	<p><b><u>Company: Berkshire Hathaway</u></b></p> <p><b><u>Meeting date: 6 May 2023</u></b></p> <p><b>Resolution:</b> Climate risk disclosure</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> The manager voted in support of audit committee responsibility for climate risk disclosure believing the significance of leadership on this issue over-rided the minor cost and inconvenience of compliance. Given the company already has disclosure representing 90% of emissions, and given the company's long-earned reputation for ethical stewardship, awaiting SEC guidance seems an inadequate delayed response. The manager voted against management but in line with ISS recommendations.</p> <p><b>Outcome:</b> Not Approved</p> <p><b>Implications:</b> The manager was disappointed in the voting outcome and wrote to the CEO expressing their view that climate risk transparency is an important issue and encouraged the company to take more of a leadership role rather than wait for policy guidance. The manager will vote FOR similar proposals in the future.</p>
TWIM Partners Fund	<p><b><u>Company: Microsoft Corporation</u></b></p> <p><b><u>Meeting date: 7 December 2023</u></b></p> <p><b>Resolution:</b> Report on Risks Related to AI Generated Misinformation and Disinformation</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> Shareholder proposal promotes better management of ESG opportunities and risks.</p> <p><b>Outcome:</b> Approved</p> <p><b>Implications:</b> None to Report</p>
LGIM Diversified Fund	<p><b><u>Company: Amazon.com, Inc.</u></b></p> <p><b><u>Meeting date: 24 May 2023</u></b></p> <p><b>1. Shareholder resolution:</b> Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps</p> <p><b>How the manager voted:</b> For (Against Management recommendation)</p> <p><b>Rationale:</b> A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.</p> <p><b>Implications:</b> LGIM will continue to engage with the company and monitor progress.reduction targets consistent with the 1.5°C goal.</p>
LGIM Diversified Fund	<p><b><u>Company: Schneider Electric SE</u></b></p> <p><b><u>Meeting date: 4 May 2023</u></b></p> <p><b>1. Shareholder resolution:</b> Resolution 17 - Approve Company's Climate Transition Plan</p>

	<p><b>How the manager voted:</b> Against (Against Management recommendation)</p> <p><b>Rationale:</b> Climate change: A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.</p> <p><b>Implications:</b> LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>
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### Meetings with managers

During the Scheme year, the Trustee met with the investment managers as follows:

- BlackRock on 25 January 2023
- LGIM on 26 April 2023
- TWIM on 25 October 2023

Since the Scheme year-end, the Trustee has met with the investment managers as follows:

- BlackRock on 24 April 2024

At these meetings, the managers' approach to voting and engagement on sustainable investment and ESG matters were discussed, along with a variety of other topics.

### Trustee's opinion

Based on the voting summaries set out above and their meetings with the managers, the Trustee's opinion is that the Statement of Investment Principles has been followed during the year to 31 December 2023 in relation to voting and engagement.

The Trustee of the Johnson Diversey UK Pension Scheme

July 2024