

Harrow School Support Staff Pension Scheme - Implementation Statement

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Harrow School Support Staff Pension 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 August 2020 (“the reporting year”).

Background

In July 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 documented in the updated Statement of Investment Principles dated September 2019.

The Trustees’ updated policy

The Trustees have determined their approach to financially material considerations over the Scheme’s long term funding horizon – including environmental, social and corporate governance (“ESG”) factors – by acknowledging that there can be risks relating to them. 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. In pooled funds the Trustees have limited influence over the managers’ investment practices, particularly in relation to those pooled funds which are designed to track an index where the choice of the index dictates the assets held by the manager.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will 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. Further, the Trustees’ policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

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, as part of a manager selection exercise, the Trustees were introduced to the following funds managed by Legal and General Investment Management: Dynamic Diversified Fund, All World Equity Index GBP Hedged Fund, Investment Grade Corporate Bond All Stocks Index Fund and Over 5 year Index-Linked Gilt Fund. Each fund was recommended by XPS, using various criteria. One of the criteria - in acknowledgement of the Trustees’ updated ESG policy - was that the new investment manager had been found to have a credible ESG capability, with decisions linked to that capability applied to the funds to an acceptable degree. Shortly after the end of the reporting year, the existing assets of the Scheme were transitioned to these four new funds as part of a major overhaul of the Scheme’s investment strategy.

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 the Statement of Investment Principles. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

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

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree, given that, in particular, this policy was introduced primarily with a focus on the investment strategy that was planned during the reporting year and implemented shortly after.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme had specific allocations to various equity markets during the reporting year through the holdings of various asset managers. However, a decision has been taken not to obtain a summary of the voting behaviour and votes cast by each of the relevant investment manager organisations as the Trustees determined that any such votes would not be considered "significant". This is because they had already decided to disinvest from the underlying holdings before any votes were cast during the reporting year.

Signed:

Date: September 2021