Jaguar Land Rover Pension Trustees Limited
UK Stewardship Code Statement

Introduction

The Trustee of the Jaguar Pension Plan, Land Rover Pension Scheme and Jaguar Executive Pension Plan (the “schemes”) seeks to be a responsible long-term steward of capital in pursuit of its fiduciary duty.

The Trustee supports the UK Stewardship Code (“the Code”) which it recognises as best practice; this statement describes how the Trustee implements the principles of the Code.

The Trustee has appointed a number of investment managers with delegated authority to invest the schemes’ assets, within mandated guidelines and restrictions.

Principle 1 - Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

The Trustee sets out its approach to stewardship in each scheme’s Statement of Investment Principles and in this Statement. Both are available to each scheme’s members. A link to this Statement is provided on the pensions website alongside other member information.

The Trustee recognises its position as an asset owner with ultimate responsibility to its members and beneficiaries and recognises that effective stewardship can help protect and enhance the long-term value of its investments to the ultimate benefit of its beneficiaries. The adopted approach to stewardship is framed in that context.

In practice, the Trustee delegates responsibility for the selection, retention and realisation of investments to numerous external investment managers and in so doing, it also delegates day-to-day implementation of its stewardship activity. The Trustee believes that this approach is compatible with its stewardship responsibilities as it is the most effective and efficient manner in which it can promote and carry out stewardship activities in respect of its investments, and ensure the widest reach of these activities given the schemes’ investment arrangements.

The Trustee expects its equity investment managers to adhere to the UK Stewardship Code. This position is communicated to the Scheme’s investment managers and forms the basis of the approach to monitoring the investment managers as outlined in this document. Whilst the Stewardship Code is primarily directed at UK equity investments, the Trustee encourages its investment managers to apply local stewardship codes to overseas equity holdings. The primary mechanisms for the application of effective stewardship for the schemes are exercising voting rights and engagement with investee companies. The Trustee expects its external equity investment managers to pursue both these mechanisms while being mindful of context, for example the Trustee believes that asset managers with larger ownership stakes in companies are often better placed to undertake effective engagement.

The Trustee views stewardship activities within the context of its wider investment process and overall approach to investing, which is described in the schemes’ Statement of Investment Principles. A key related area where stewardship is integrated into the wider process is in the selection of external investment managers. When considering the appointment of external investment managers the consideration of Environmental Social and Governance (ESG) integration and stewardship activity of each investment manager is part of the selection process.

In the process of monitoring the stewardship responsibilities delegated to external investment managers, the tasks undertaken by the Trustee in 2016/17 included:

- maintaining awareness of key industry developments
- reconfirming trustee beliefs and associated statements (such as this document)
- reviewing reporting from its investment consultant on an annual basis which monitors each investment manager used by the schemes in terms of its ESG integration and stewardship (voting and engagement)
- overseeing its investment consultant’s process in the following areas a) reporting on asset managers b) engagement with investment managers to encourage improvement if their approach is considered poor overall and c) contribution to collaborative investor initiatives

- considering involvement in collaborative investor initiatives. In the past this has involved reviewing the case for using third party engagement providers and, more recently, the Association of Member Nominated Trustees Red Line Voting initiative has been used as a tool to provide increased transparency into investment manager voting activity

- direct engagement with a fund manager to promote engagement and voting that aligns with the Trustees values

- organising training sessions

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

Day-to-day implementation of the schemes' stewardship activity has been delegated to external investment managers. The Trustee expects its investment managers to document their approach to stewardship, which should include how they manage any conflicts of interest that arise to ensure that the interests of the schemes' members are prioritised.

The Trustee receives, and reviews annually, reporting provided by the Trustee's investment consultant which summarises the ESG integration and stewardship (voting and engagement) activities of its external investment managers and highlights areas of potential concern. For equity investment managers this includes:

- consideration of whether the investment manager's policy includes: an explanation of how they act in the best interests of clients; how conflicts of interest are identified; and the process followed when a conflict of interest is seen to exist; and
- a summary of voting and engagement activities in a consistent form.

The Trustee also has a detailed conflicts of interest policy in place. As part of this the Trustee maintains a register of individual Trustee Director's potential conflicts, and this is specifically noted at the start of every formal Trustee meeting.

Principle 3 - Institutional investors should monitor their investee companies

The Trustee requires its external equity investment managers to monitor investee companies. Issues to be monitored are likely to vary, however typically these might include a company's corporate strategy, financial performance, risk, including those from environmental and social factors, capital structure, leadership team and corporate governance. The Trustee encourages its investment managers to satisfy themselves that investee companies adhere to the spirit of the UK Corporate Governance Code.

The Trustee receives, and reviews annually, reporting provided by the Trustee's investment consultant which summarises the ESG integration and stewardship (voting and engagement) activities of its external investment managers and highlights areas of potential concern. For equity investment managers this includes consideration of:

- who has overall responsibility for ESG risk analysis and integration;
- resources and experience of the team;
- at what stages of the process ESG risks are considered;
- exposures to environmental, social or governance risk within the portfolio; and
- the investment manager's willingness to become an insider and, if so, whether the manager has a policy setting out the mechanisms through which this is done.

The Trustee does not expect itself to be made an insider given the delegation of investment decision-making in place for the schemes.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

The Trustee recognises that the use of proxy votes and constructive engagement with company management can help protect and enhance shareholder value. Typically, the Trustee expects its investment managers to intervene with investee companies when they view that there are material risks or issues that are not currently being adequately addressed.

The Trustee receives, and reviews annually, reporting provided by the Trustee's investment consultant which summarises the ESG integration and stewardship (voting and engagement) activities of its external investment managers and highlights areas of potential concern. For equity investment managers this includes consideration of:

- whether voting activity has led to any changes in company practice;
- whether the investment manager's policy specifies when and how they will escalate engagement activities;
- overall engagement statistics (volume and areas of focus);
- example of most intensive engagement activity; and
- the estimated performance impact of engagement on the strategy in question.

Given the range of fund managers and scheme investments, the Trustee carries out its monitoring at the manager level to identify:

- trends to ensure progress is being made in stewardship activities;
- specific managers where progress or the rate of progress is not adequate; and
- appropriate specific actions necessary.

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate

As day-to-day management of the schemes' assets has been delegated to external investment managers, the Trustee is unlikely to be directly involved in collective engagement activity. However, the schemes' investment managers are encouraged to get involved in collective engagement where this is an efficient means to protect and enhance long-term shareholder value.

The Trustee receives, and reviews annually, reporting provided by the Trustee's investment consultant which summarises the ESG integration and stewardship (voting and engagement) activities of its external investment managers and highlights areas of potential concern. For equity investment managers this includes consideration of:

- whether the investment manager's policy specifies their stance on collaborative engagement activities; and
- the extent to which the investment manager contributes to these efforts.

The Trustee is open to work with other investors in either formal or informal arrangements to enhance the impact of their engagement activities should such a situation arise.

In addition to the stewardship activity delegated to its investment managers, the Trustee expects to benefit indirectly from the collective activity of its investment consultant, who employs Hermes Equity Ownership Services (Hermes EOS) to undertake public engagement on behalf of its asset owner client base. Public engagement activity involves Hermes EOS working with policy makers and institutions to encourage policies and standards to be aligned to the interests of shareholders.

The Trustee is represented in the Association of Member Nominated Trustees. The current representative is working with the AMNT on the development and implementation of its Red Line Voting project.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity

The Trustee has delegated its voting rights to the schemes' investment managers and expects them to vote whenever it is practical to do so. The schemes' investment managers are encouraged to have a documented voting policy in line with relevant industry best practice and to disclose this publicly.

The Trustee receives, and reviews annually, reporting provided by the Trustee's investment consultant which summarises the ESG integration and stewardship (voting and engagement) activities of its external investment managers and highlights areas of potential concern. For equity investment managers this includes consideration of:

- whether the manager has a voting policy and, if so, what areas are covered;
- whether client-directed voting policies can be applied;
- the level of voting activity which is disclosed to clients and the level of voting activity which is disclosed publicly;
- whether the investment manager typically informs companies of their rationale when voting against or abstaining and whether this is typically in advance of the vote or not;
- if securities lending takes place within a portfolio, either within a pooled fund, or by the scheme's custodian for segregated portfolios, whether the stock is recalled for all key votes for all stocks held in the portfolio; and

- whether a third party proxy voting service provider is used and, if so, how.

Given the range of fund managers and scheme investments the Trustee carries out its monitoring at the manager level to identify:

- trends to ensure progress is being made in stewardship activities;
- specific managers where progress or the rate of progress is not adequate; and
- appropriate specific actions necessary.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities

The Trustee expects and encourages investment managers to disclose their voting records publicly in an appropriate format.

The Trustee receives, and reviews annually, reporting provided by the Trustee's investment consultant which summarises the ESG integration and stewardship (voting and engagement) activities of its external investment managers and highlights areas of potential concern. For equity investment managers this includes consideration of:

- the level of transparency offered by the individual investment managers;
- the level and frequency of standard regular reporting offered by the individual investment managers; and
- whether the manager has any independent process assurance and whether this is available to clients.

This statement is reviewed regularly and updated as necessary.

For further information please contact:

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