

# **Fischer & Porter Limited Pension and Life Assurance Fund**

## **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 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

### **Investment Objectives of the Fund**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Fund included in the SIP are as follows:

- To achieve a return in excess of the liabilities, as measured on a low risk basis, and commensurate with the level of risk inherent in the investment strategy;
- To ensure that the Fund can meet its obligations to the beneficiaries;
- To provide protection for members' accrued benefits.

### **Policy on ESG, Stewardship and Climate Change**

The Fund's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship (including engagement activities) and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

As set out in the Fund's SIP, the Trustees have given the appointed Investment Manager full discretion when evaluating ESG factors, including climate change considerations, and in exercising voting rights and stewardship obligations attached to the Fund's investments, in accordance with the Investment Manager's own corporate governance policies and taking account of current best practice. Given the Fund's assets are invested in government and corporate bonds (on a passive basis) and money market instruments, there is limited scope for implementing these issues within the Fund's investments. The Trustees will ask the Investment Manager to report on engagement activities on a periodic basis.

In addition, the Trustees consider how ESG, climate change and stewardship are integrated within investment processes when monitoring the Investment Manager, although take note of the limitations given the investment strategy in place.

The following section outlines the work that was undertaken during the year to 31 December 2021 relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year. The policy objectives previously set out were therefore successfully achieved.

The Trustees last reviewed their policy on ESG factors, stewardship and climate change in September 2021, as part of the formal review of the SIP, although no changes were made to the policy.

## **Engagement**

- Through their investment consultant, Mercer Limited, the Trustees review the mandates of Legal and General Investment Management ("LGIM") in relation to ESG factors, including climate change, on an ongoing basis. This is carried out primarily through the investment consultant's ESG ratings, regarding which the Trustees receive notification of any changes.
- Passive corporate bonds and gilt investments are not assigned ESG ratings by the investment consultant due to the limited scope for ESG within these asset categories.
- The Trustees have requested, via their investment consultant, that the Investment Manager confirm compliance with the principles of the UK Stewardship Code. The Investment Manager confirmed that they are signatories of the 2020 UK Stewardship Code.
- The Trustees also received details of relevant engagement activity for the year from the Fund's Investment Manager.
  - LGIM engaged with companies over the year on a wide range of different issues including ESG factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those linked to the Paris agreement). The manager also engaged with companies on social and governmental topics. These examples included engagements on gender diversity, remuneration and board composition.
  - LGIM provided the ESG impact reports over 2021, with examples of instances where they had engaged with companies which they were invested in (or were about to invest in) which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies in which LGIM invest. LGIM engaged with Procter & Gamble (P&G) by supporting a shareholder

proposal to eliminate deforestation from its supply chain and encouraging the company to increase the percentage of sustainably certified pulp. LGIM liaised with Nintendo on leadership diversity and board independence over the last few years. These actions led Nintendo to expand the number of independent board directors, improve disclosures and appoint a female member.

- LGIM noted that the engagement figures provided do not include data on engagement activities with national or local governments, government related issuers, or similar international bodies with the power to issue debt securities.

### **Voting Activity**

The Fund was only invested in corporate and government bond mandates as well as a cash fund over the year, therefore does not have exposure to assets with voting rights assigned. For this reason, LGIM were not asked to provide any voting details.

### **Additional Voluntary Contributions (“AVC”)**

During the year to 31 December 2021, there were no AVCs included in the Fund’s assets.