



# The Fremantle Group Pension Plan Implementation Report

Plan Year to 31 December 2022

# Background and Implementation Statement

## Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions (DWP) has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

## Implementation Report

This implementation report is to provide evidence that the Plan continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address:

<https://fremantle.com/documents/group-pension-plan/>.

Changes to the SIP are detailed on the following page.

This report details the following for the Money Purchase Section and assets held to cover any potential shortfall from the Reference Scheme Test underpin within the Defined Benefit (DB) section of the Plan:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 December 2022 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf
- the policies in place to ensure the default strategy remains in the best interest of its members.

The remaining DB assets are invested in an insurance policy with PIC and are not included in this report.

## Summary of key actions undertaken over the Plan reporting year

There have been no significant changes to the Plan's investment strategy over the reporting year. Each quarter the Trustee reviews the net performance of the funds underlying the default arrangement with input from our investment managers.

In December 2021 the Trustee undertook the formal triennial review of the default strategy. The findings from this review highlighted several areas where the Trustee could improve the default investment strategy to ensure it remains in the best interest of members. The Trustee considered possible fund options to introduce these changes over 2022 and implementation of these changes was completed at the start of 2023.

The changes implemented shortly after the Plan Year involved the following:

- Replace the LGIM Fremantle Global Equity (30/70) Index – 75% GBP Hedged Fund with the LGIM Fremantle All World Equity Index Fund. One of the conclusions of the triennial review was that the Global Equity fund within the Default Lifestyle Strategy had a bias towards UK equities. The Trustee was advised that UK equities are not expected to outperform overseas markets over the long-term and there were diversification benefits from taking a more global approach to investing.
- Retain more exposure to equities as members approach retirement (pre-retirement phase). The Default Lifestyle Strategy now retains a 10% allocation to equities as a member reaches their retirement age instead of 0%.

The Trustee also reviewed the investment managers' policies in relation to ESG over the reporting period. Both LGIM and BlackRock have established approaches to considering ESG factors and leverage their significant presence in the asset management space to engage with underlying companies on ESG issues. All the Plan's funds are currently rated "meets traditional ESG criteria". Isio on behalf of the Trustee monitor the managers' approaches on a quarterly basis and report any material changes to the Trustee.

Shortly after the Plan Year the Trustee also updated their policy in relation to engagement and the exercise of voting rights within the SIP. The changes outline how the Trustee expect investment managers to vote on their behalf and how the Trustee will engage with investment managers direct assets and others about relevant matters'.

#### Implementation Statement

This report demonstrates that The Fremantle Group Pension Plan has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed



Position

Trustee Director (Chair)

Date

July 20, 2023

# Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions over the reporting period
Interest rates	The potential for interest rate movements to have an impact on the Plan's bond investments and Money Purchase Underpin.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk. The assets held to cover any shortfall from the Money Purchase Underpin are invested in bonds with a view to mitigating the impact of changes in interest rates.	The Trustee reviews fund performance on a quarterly basis.
Inflation	The potential that the Plan's investments will not keep pace with inflation.	The Plan offers several funds which are expected to outperform inflation including the default.	The Trustee reviews fund performance on a quarterly basis.
Liquidity	The potential that investments cannot be encashed when required.	The funds offered through the Plan invest predominantly in assets which are readily tradable.	There have been no liquidity issues over the reporting period.
Market	The potential for losses due to factors that affect the overall performance of financial markets.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk. However the Trustee is aware that in falling markets members may suffer losses.	The Trustee reviews fund performance on a quarterly basis.
Credit	The potential for losses due to a holding in a bond fund defaulting on their obligations.	The Plan's bond funds invest in a range of bonds to minimise the impact of any default.	The Trustee reviews fund performance on a quarterly basis.

<b>Shortfall / pension conversion risk</b>	The potential that a member has not saved sufficiently for retirement or suffers an investment loss close to retirement leading to a pension shortfall.	The Plan's default and alternative lifestyle options automatically de-risk members as they approach retirement and allow them to target specific retirement outcomes.  Members also have a Money Purchase Underpin which guarantees a minimum level of income in retirement.	The Trustee reviews fund performance on a quarterly basis.
<b>Currency</b>	The potential for adverse currency movements to have an impact on the Plan's investments.	The funds which the Plan invest in are Sterling denominated however members will still be exposed to currency risk where assets are held overseas on an unhedged basis. The equity fund used in the Plan's default is 75% sterling hedged.	The Trustee reviews fund performance on a quarterly basis.
<b>Environmental, Social and Governance</b>	Exposure to ESG factors including but not limited to climate change which can impact the performance of the Plan's investments.	The Trustee will act in line with the agreed ESG Policy Statement.	In December 2022 the Trustee reviewed the investment managers' policies in relation to ESG.
<b>Non-financial</b>	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not considered in the selection retention or realisation of investments.	



# Changes to the SIP

Over the period to 31 December 2022 the Trustee made no changes to the SIP.

Shortly after the Plan Year the Trustee made changes to the SIP to reflect the recent regulatory requirements by updating their policy in relation to engagement and the exercise of voting rights.

## Policies added to the SIP

Date updated: May 2023

### **Voting Policy - How the Trustee expects investment managers to vote on their behalf**

- The Trustee has acknowledged responsibility for the voting policies that are implemented by the Plan's investment managers on their behalf.

### **Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'**

- The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
- The Trustee's via their investment advisers will engage with managers about 'relevant matters' at least annually. Example stewardship activities that the Trustee has considered are listed below:
  - Selecting and appointing asset managers – the Trustee will consider potential managers' stewardship policies and activities.
  - Asset manager engagement and monitoring – on an annual basis the Trustee assess the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustee's investment decision making.
  - Collaborative investor initiatives – the Trustee will consider joining / supporting collaborative investor initiatives.

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Plan's policy with regarding to ESG as a financially material risk. The Trustee has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This section details the Trustee's ESG policy.

Risk Management	<ol style="list-style-type: none"> <li>1. Integrating ESG factors including climate change represents an opportunity to improve risk management within the investment options made available to members of the Plan and those held in reserve to cover any shortfall in the Money Purchase Underpin.</li> <li>2. ESG factors can be financially material and managing these risks forms part of the Trustee's fiduciary duty.</li> </ol>
Approach / Framework	<ol style="list-style-type: none"> <li>3. ESG factors are relevant to investment decision making therefore the Trustee should understand how asset managers integrate ESG factors into their decision making.</li> <li>4. ESG factors including climate change can be a source of investment opportunity.</li> </ol>
Reporting & Monitoring	<ol style="list-style-type: none"> <li>5. Ongoing monitoring and reporting are essential tools for assessing the extent to which ESG factors are managed.</li> <li>6. ESG factors are dynamic and continually evolving therefore the Trustee will receive ongoing training to maintain an understanding of these factors.</li> </ol>
Voting & Engagement	<ol style="list-style-type: none"> <li>7. The Trustee will seek to understand each investment manager's approach to voting and engagement.</li> <li>8. Engaging with companies is an effective way of seeking to initiate change.</li> <li>9. Managers investing in companies' debt as well as equity have a responsibility to engage with management of investee companies on ESG factors.</li> </ol>
Collaboration	<ol style="list-style-type: none"> <li>10. Asset managers should sign up and comply with common codes and sign practices such as the UNPRI &amp; the UK Stewardship Code. If they do not sign up they should have a valid reason why.</li> <li>11. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure remuneration sustainability risk management and debtholder rights.</li> </ol>

# ESG summary and actions with the investment managers

In December 2022 the Trustee reviewed the investment managers' policies in relation to ESG. The Trustee's investment advisers Isio engaged with the Plan's investment managers Legal and General Investment Management (LGIM) and BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities.

A summary of Isio's view on each of the managers' ESG process and the key engagement points is outlined in the following table. Isio will be engaging with the managers on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio will report back to the Trustee on an annual basis.

Fund	ESG summary	Actions identified
LGIM Multi Asset	<p>LGIM has clearly identified firm-wide sustainability goals and has a dedicated team responsible for engaging with portfolio companies.</p> <p>At a firm level LGIM is strong in their approach to ESG and voting/engagement.</p>	<p><b>Reporting</b> - LGIM should look to continue to expand reporting capabilities over time to meet TCFD requirements.</p>
LGIM Passive Equity	<p>LGIM employs a dedicated and experienced ESG team to assess and engage with companies on key ESG issues. Within LGIM's passive equity index range there is limited scope to adapt the investment approach to ESG matters.</p> <p>We view LGIM as being leaders in promoting ESG through industry-wide collaboration focused on climate-related topics.</p> <p>We note that LGIM's ESG reporting capabilities have scope to improve to ensure that sufficient data is being provided in regular client reporting.</p>	<p><b>Reporting</b> – LGIM should consider reporting on fund level coverage of greenhouse gas emissions.</p> <p><b>Reporting</b> - LGIM should consider including social and governance metrics in future ESG quarterly reports.</p>
LGIM Passive Fixed Income	<p>LGIM is one of the more advanced asset managers in relation to ESG with a well-defined firm-wide ESG policy and a net zero commitment. For passive Funds there are no ESG objectives or biases within the investment approach although LGIM can provide ESG scores for all assets within portfolios.</p> <p>LGIM encourages investee companies to align sustainability reporting with best-practice frameworks. LGIM collaborates with a range of industry participants to monitor and influence a broad range of ESG topics.</p>	<p><b>Risk Management</b> – Increase coverage across the passive funds of the implied temperature alignment model.</p> <p><b>Voting &amp; Engagement</b> - Set clear engagement objectives and milestones for underlying portfolio companies engage with a higher proportion of portfolio companies.</p> <p><b>Reporting</b> – Provide Fund-level ESG or sustainability reporting.</p>



	<p><i>This relates to all fixed income and cash funds with LGIM that the Plan invests in.</i></p>	
<p><b>BlackRock Market Advantage</b></p>	<p>The fund has aligned itself with the Paris Agreement and have set targets such as the 1.5°C temperature target and an annual average of a 7% reduction in carbon emissions intensity score.</p> <p>The fund lacks its own specific priorities and the manager does not use an ESG scorecard as part of their due diligence. BlackRock have a publicly available Global Stewardship Policy and a central stewardship team.</p>	<p><b>Investment Approach</b> - Provide evidence of action taken to mitigate ESG risk of assets.</p> <p><b>Risk Management</b> – Develop a scorecard to use as part of investment process.</p> <p><b>Voting &amp; Engagement</b> – Create fund level stewardship priorities. Demonstrate how engagement aligns with priorities of Fund.</p> <p><b>Reporting</b> – Report ESG metrics in quarterly reports. Produce data to satisfy implementation statements.</p>

# Engagement

As the Plan invests via fund managers Isio has requested from the managers details on their engagement actions including a summary of the engagements by category for the 12-month period to the end of 2022.

Fund name	Engagement summary	Commentary
LGIM UK Equity Index	Total engagements: 266 Environmental: 91 Social: 60 Governance: 170	Engagement with companies is done at a firm wide level rather than on a fund basis. This is spearheaded by the central Investment Stewardship Team. They manage the voting and engagement across all funds leveraging all possible capital to maximise effectiveness.  Previously LGIM were unable to provide any data on engagement at the fund level. However LGIM now provide engagement metrics within each fund.
LGIM World (ex UK) Equity Index	Total engagements: 561 Environmental: 355 Social: 135 Governance: 198	See above.
LGIM Global Equity (50:50) Index	Total engagements: 776 Environmental: 416 Social: 185 Governance: 342	See above.
LGIM Global Equity (30:70) Index – 75% Currency Hedged	Total engagements: 663 Environmental: 300 Social: 207 Governance: 325	See above.
LGIM Consensus Index	Total engagements: 960 Environmental: 523 Social: 215 Governance: 396	See above.
AAA-AA-A Corporate Bonds All Stocks Index	Total engagements: 117 Environmental: 72 Social: 30	See above.

	Governance: 58	
<b>LGIM Over 5y Index-Linked Gilts</b>	Total engagements: 34 Environmental: 24 Social: 4 Governance: 18	See above.
<b>LGIM Bond</b>	Total engagements: 117 Environmental: 72 Social: 30 Governance: 58	See above.
<b>LGIM Investment Grade Corporate Bonds All Stocks Index</b>	Total engagements: 193 Environmental: 106 Social: 53 Governance: 97	See above.
<b>LGIM All Stocks Index-Linked Gilts</b>	Total engagements: 34 Environmental: 24 Social: 4 Governance: 18	See above.
<b>LGIM Cash</b>	Total engagements: 1 Environmental: 1 Social: 0 Governance: 1	See above.
<b>LGIM Ethical UK Equity Index</b>	Total engagements: 163 Environmental: 50 Social: 46 Governance: 103	See above.
<b>BlackRock ALMA</b>	Total engagements: 1534 Environmental: 1023 Social: 599 Governance: 1348	BlackRock has a firm-wide stewardship team and their listed priorities include ESG factors such as climate transition and board diversity.  BlackRock's ESG related engagements are centrally led by the BlackRock Investment Stewardship (BIS) team the largest stewardship team in the asset management industry.

# Voting (for equity/multi asset funds only)

As the Plan invests via fund managers the managers provided details on their voting actions including a summary of the activity for the 12-month period to the end of 2022. The managers also provided examples of any significant votes.

The Trustee has adopted the managers definition of significant votes and has not set stewardship priorities. The managers have therefore provided examples of votes they deem to be significant.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM UK Equity Index	Meetings eligible to vote at: 759	<b>NatWest Group Plc:</b>	LGIM's Investment Stewardship team manage voting and engagement across all funds leveraging all possible capital to maximise effectiveness.  LGIM share their finalised ESG scorecards with portfolio companies highlighting the metrics on which they are based LGIM's key focus areas and the improvements companies could make to better their score.  LGIM produce an annual Active Ownership report to summarise how they have worked towards creating sustainable value for clients.
	Resolutions eligible to vote on: 10 854	Resolution – Approve Climate Strategy LGIM voted against this resolution.	
	Resolutions voted: 99.9%	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.	
	Votes with management: 94.5%		
	Votes against management: 5.5%		
	Abstained from voting: 0.0%		
LGIM World (ex UK) Equity Index	Meetings eligible to vote at: 2 973	<b>Apple Inc:</b>	See above.
	Resolutions eligible to vote on: 35 672	Resolution – Report on Civil Rights Audit LGIM voted for this resolution.	
	Resolutions voted: 99.8%	LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	
	Votes with management: 77.6%		
	Votes against management: 21.6%		

	Abstained from voting: 0.8%		
<b>LGIM Global Equity (50:50) Index</b>	Meetings eligible to vote at: 3 727	<b>NVIDIA Corporation</b> Resolution - Elect Director Harvey C. Jones.	See above.
	Resolutions eligible to vote on: 46 456	LGIM voted against this resolution.	
	Resolutions voted: 99.8%	LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. They are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue.	
	Votes with management: 81.6%		
	Votes against management: 17.8%		
	Abstained from voting: 0.6%	LGIM expects a board to be regularly refreshed to maintain an appropriate mix of independence relevant skills experience tenure and background.	
<b>LGIM Global Equity (30:70) Index – 75% Currency Hedged</b>	Meetings eligible to vote at: 7 259	<b>Rio Tinto Plc.:</b> Resolution – Approve Climate Action Plan	See above.
	Resolutions eligible to vote on: 75 300	LGIM voted against this resolution.	
	Resolutions voted: 99.9%	LGIM remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.	
	Votes with management: 80.5%		
	Votes against management: 18.3%		
	Abstained from voting: 1.2%		
<b>LGIM Ethical UK Equity Index</b>	Meetings eligible to vote at: 283	<b>Royal Dutch Shell Plc:</b> Resolution - Approve the Shell Energy Transition Progress Update	See above.
	Resolutions eligible to vote on: 4 566	LGIM voted against this resolution.	
	Resolutions voted: 100.0%	LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	
	Votes with management: 94.6%		
	Votes against management: 5.4%		



	Abstained from voting: 0.0%		
<b>LGIM Consensus Index</b>	Meetings eligible to vote at: 9 719	<b>Barclays Plc.</b>	See above.
	Resolutions eligible to vote on: 98 805	Resolution - Approve Barclays' Climate Strategy Targets and Progress 2022	
	Resolutions voted: 99.8%	LGIM voted against this resolution.	
	Votes with management: 77.5%	LGIM positively notes the Company's use of absolute emissions targets for its exposure in the Energy sector as well as the inclusion of capital markets financed emissions within its methodology however they have concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. LGIM expects companies to introduce credible transition plans consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.	
	Votes against management: 21.8%		
	Abstained from voting: 0.7%		
<b>BlackRock ALMA</b>	Meetings eligible to vote at: 4 741	<b>2U Incorporated:</b>	BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions.
	Resolutions eligible to vote on: 47 656	Resolution - Advisory Vote to Ratify Named Executive Officers'	BlackRock's Investment Stewardship team engages with companies to provide feedback on their practices and inform their voting including focussing on ESG considerations where there may be a long-term impact for these companies.
	Resolutions voted: 94.6%	BlackRock voted against this resolution.	
	Votes with management: 86.0%	BlackRock believe that the remuneration arrangements and remuneration committee are poorly structured.	
	Votes against management: 8.7%		
	Abstained from voting: 0.5%		

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