

# **Forester Group Employee Pension Scheme**

## **Annual Implementation Statement**

### **Introduction**

This statement, written for the benefit of the members of the Scheme, sets out how, and the extent to which, the Statement of Investment Principles (SIP) produced by the Trustees, has been followed during the year to 31 March 2022.

The SIP is a document drafted by the Trustees to help govern the Scheme's investment strategy and it details a range of investment-related policies.

This statement has been produced in accordance with Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734), as amended by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (SI 2018/988), and the guidance published by the Pensions Regulator.

### **Trustees' Investment Objectives**

The Trustees' primary objective is to meet benefit payments as they fall due.

For the Staff Plan, the Trustees aspire to a position where the defined benefit liabilities are matched as accurately as reasonably possible, having regard to the latest actuarial information, by a combination of cash, conventional and index-linked bonds.

For the Employee Pension Plan, the Trustees are required to establish a default investment strategy as the Scheme is used for auto-enrolment purposes. The Trustees' objective in this matter is to provide an investment option that is suitable for active and deferred members of the Employee Pension Plan who do not make a fund choice.

For other members of the Employee Pension Plan, the Trustees aim to offer an appropriate range of investment options so that members who wish to make their own investment choices have the ability to do so, recognising that members may have different needs and objectives.

The Trustees aim for all members within the Employee Pension Plan to achieve good outcomes net of fees and subject to acceptable levels of risk. The expected volatility of returns achieved is managed through appropriate diversification between asset types in order to control the level of volatility and risk in the value of members' pension pots.

### **Investment Strategy**

During the financial year, the Trustees did not make any changes to the Scheme's investment strategy.

Two new ESG (Environmental, Social and Governance) funds were added to the range available to Employee Pension Plan members, excluding those who were employed only before 1 April 1996:

- Standard Life Schroders Sustainable Multi-Factor Equity Pension Fund; and
- Standard Life Nordea Global Climate and Environment Fund.

Additionally, the Standard Life Money Market Pension Fund was withdrawn as an option, as it has similar objectives to the Standard Life Deposit and Treasury Pension Fund. However, existing holdings and future investments under existing investment instructions can continue.

## **Statement of Investment Principles**

During the year to 31 March 2020, the Trustees reviewed the Scheme's SIP and a revised SIP was implemented with effect from January 2020. Changes were made to reflect the following:

- the aims and objectives of the Trustees or managers in respect of the investments;
- how the aims and objectives are intended to ensure the assets are invested in the best interests of relevant members and beneficiaries;
- the balance between different kinds of investments;
- the expected return on investments; and
- the realisation of investments.

## **Scheme's Investment Structure**

The assets of the Staff Plan are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group. The assets are managed on a balanced discretionary basis investing in Legal & General's range of specialist pooled funds.

The defined contribution assets of the Employee Pension Plan are invested in an insurance policy with Standard Life Assurance Limited. The Trustees make available to the members a number of pooled funds within Standard Life's Pension One series, which are managed by Standard Life Investments Limited and other fund managers.

The balance of assets in the Employee Pension Plan are invested in a Standard Life Trustee Investment Plan. The assets are held within one or more pooled funds, which are also managed by Standard Life Investments Limited.

As an investor in multi-client pooled funds, the Trustees have limited ability to influence the investment manager's investment decision making process. The Trustees therefore delegate decisions around ESG directly to the investment managers.

## **Policy on Environmental, Social and Governance (ESG) and Stewardship**

The SIP includes the Trustees' policy on ESG and Stewardship. The Trustees believe that ESG factors should be considered by the investment managers. The Trustees monitor the investment managers' approach to the integration of ESG risks and opportunities on an on-going basis.

The Trustees keep their policies under regular review with the SIP subject to review at least triennially.

The Trustees expect fund managers to use rights (including voting rights) wholly in the economic interests of the members.

## **Engagement**

In the relevant year, the Trustees have, during the year, engaged with both Standard Life and Legal & General Investment Management on their approach to ESG investing.

## **Voting Activity**

The Trustees have no direct relationship with the underlying companies in which the pooled funds that are invested in by the Scheme, and therefore have no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated their voting rights to the Scheme's underlying investment managers.

The Trustees do not use the services of a proxy voter.

Nevertheless, the table below sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Scheme's assets are invested, over the year from 31 March 2021 to 31 March 2022.

Fund	Proxy voter used?	Votes cast			Significant vote examples
		Votes in total	Votes against management	Abstentions	
<b>Standard Life Managed Fund</b>	<p>Abrdn employs ISS as a service provider to deliver its voting decisions efficiently to companies. ISS provides voting recommendations based on Abrdn's own customised voting policy, which reflects its guidelines and expectations. Abrdn considers ISS's recommendations and those based on its custom policy as input to its voting decisions. In addition to the ISS service for UK company general meetings Abrdn also uses research provided by the Institutional Voting Information Service (IVIS), which uses the guidelines of the Investment Association (IA) as the basis of their research.</p>	12,341	963	194	<p>Rio Tinto plc, 9 April 2021: voted against accepting financial statements and statutory report to convey disappointment about an incident at Juukan Gorge.</p> <p>The Goldman Sachs Group, Inc, 29 April 2021: voted in favour of a racial equity audit as it is appropriate to measure the success of the company's diversity and inclusion strategy.</p> <p>Segezha Group PJSC, 11 November 2021: voted against remuneration of directors as it is unclear what has been done above and beyond the scope of their roles to justify additional pay.</p>

Fund	Proxy voter used?	Votes cast			Significant vote examples
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<b>Standard Life FTSE All Share Index and Standard Life FTSE Tracker</b>	<p>Vanguard Investment Stewardship team votes on behalf of Vanguard's internally managed equity holdings. Vanguard casts proxy votes via dedicated voting providers. It consults a wide variety of third-party research providers and its own internal proprietary databases. It then analyses the various issues and ballot measures in conjunction with its Proxy Voting Guidelines and other relevant data to reach its own independent decisions. The Investment Stewardship team uses a variety of research from well-known providers, such as ISS, Glass Lewis and Equilar, as well as a number of smaller research providers.</p>	10,576	108	7	<p>BHP Group Limited, 14 October 2021: voted for climate action transition plan as it addresses material risks, action or change is warranted and terms determined to be in the best long-term interest of shareholders.</p> <p>Rio Tinto plc, 9 April 2021: voted against remuneration report due to concerns with one or more of the following: pay and performance alignment, magnitude (quantum) of pay, disclosure, and pay structure</p> <p>Royal Dutch Shell plc, 18 May 2021: voted against company setting and publishing targets for greenhouse gas emissions as company has already taken sufficient actions and/or has related actions pending.</p>

Fund	Proxy voter used?	Votes cast			Significant vote examples
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<b>Standard Life Multi Asset Managed (20-60% shares)</b>	Abrdn employs ISS as a service provider to deliver its voting decisions efficiently to companies. ISS provides voting recommendations based on Abrdn's own customised voting policy, which reflects its guidelines and expectations. Abrdn considers ISS's recommendations and those based on its custom policy as input to its voting decisions. In addition to the ISS service for UK company general meetings Abrdn also uses research provided by the Institutional Voting Information Service (IVIS), which uses the guidelines of the Investment Association (IA) as the basis of their research.	10,568	709	192	<p>Rio Tinto plc, 9 April 2021: voted against accepting financial statements and statutory report to convey disappointment about an incident at Juukan Gorge.</p> <p>The Goldman Sachs Group, Inc, 29 April 2021: voted in favour of a racial equity audit as it is appropriate to measure the success of the company's diversity and inclusion strategy.</p> <p>Segezha Group PJSC, 11 November 2021: voted against remuneration of directors as it is unclear what has been done above and beyond the scope of their roles to justify additional pay.</p>

Fund	Proxy voter used?	Votes cast			Significant vote examples
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<b>Standard Life Passive Plus III and Passive Plus</b>	<p>Vanguard Investment Stewardship team votes on behalf of Vanguard's internally managed equity holdings. Vanguard casts proxy votes via dedicated voting providers. It consults a wide variety of third-party research providers and its own internal proprietary databases. It then analyses the various issues and ballot measures in conjunction with its Proxy Voting Guidelines and other relevant data to reach its own independent decisions. The Investment Stewardship team uses a variety of research from well-known providers, such as ISS, Glass Lewis and Equilar, as well as a number of smaller research providers.</p>	56,143	2,610	745	<p>Alibaba Group Holding Ltd, 17 September 2021: voted against election of Joseph C Tsai as director due to insufficient board independence.</p> <p>BHP Group Limited, 14 October 2021: voted for climate action transition plan as it addresses material risks, action or change is warranted and terms determined to be in the best long-term interest of shareholders.</p> <p>Alphabet Inc, 2 June 2021: voted in favour of recapitalisation plan for all stock to have one vote per share as it supports long-term shareholder interest.</p>

Fund	Proxy voter used?	Votes cast			Significant vote examples
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<b>Standard Life Schroders Sustainable Multi-Factor Equity</b>	Not disclosed.	4,075	495	47	<p>Schlumberger N.V, 7 April 2021: voted against proposal to ratify Pricewaterhouse-Coopers as auditors due to excessive auditor tenure and no commitment to tenure.</p> <p>Lundin Energy AB, 31 March 2022: voted against re-election of C. Ashley Heppenstall and Torstein Sanness as directors as they are non-independent NEDs and less than half of the board can be considered independent.</p>

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<b>Nordea Global Climate and Environment</b>	<p>Nordea's proxy voting is supported by two external vendors - Institutional Shareholder Services (ISS) and Nordic Investor Services (NIS) - to facilitate the proxy voting, execution and to provide analytic input. In 2021 these two vendors merged.</p> <p>The contrast in the services - ISS is a global player with international reach and practices, while NIS is a small niche player whose best practices are much in line with Nordea's - gives a broad palette of input which is very valuable in the evolution of its own Corporate Governance Principles.</p>	699	98	0	<p>Republic Services, 21 May 2021: voted for a report on integrating ESG metrics into executive compensation program as the company has several ESG-related controversies and several peers have started integrating ESG-metrics into executive performance evaluation.</p> <p>Hexcel, 10 May 2021: voted against election of Nick L. Stange as director as it is in the best interest of shareholders to separate the CEO and chair of board functions.</p>

Fund	Proxy voter used?	Votes cast			Significant vote examples
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<b>Legal &amp; General UK Equity Index</b>	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions.	10,811	749	0	<p>The Sage Group, 3 February 2022: voted against re-election of Drummond Hall as director due to a lack of progress on gender diversity on the board.</p> <p>Domino's Pizza Group plc, 22 April 2021: voted against re-election of Matt Shattock as director as the company is deemed to not meet minimum standards with regards to climate risk management and disclosure.</p>

Fund	Proxy voter used?	Votes cast			Significant vote examples
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<b>Legal &amp; General World (ex UK) Index</b>	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions.	33,953	6,824	312	<p>Microsoft Corporation, 30 November 2021: voted against election of Satya Nadella as director as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>AT &amp; T, 30 April 2021: voted against ratifying named executive officers' compensation as LGIM identified serious issues with the structure and quantum of the company's executive remuneration. The awards and payments did not meet LGIM's expectations of fair and balanced remuneration both in respect to their magnitude and the lack of performance criteria.</p>

This report was approved by the Trustees on 28 October 2022 and signed on its behalf by:

Mark Sonenfeld  
Chairman