



The Fremantle Group Pension Plan Implementation Report

May 2022

Background and Implementation Statement

Background

The Department for Work and Pensions (DWP) is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

There have been no significant changes to the SIP over the reporting period. The SIP can be found online at the web address: <https://fremantle.com/documents/group-pension-plan/>.

Implementation Report

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

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 2021 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

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.

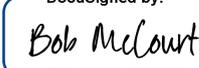
In December 2021, the Trustee undertook the formal triennial review of the default strategy. Following that review the Trustee is considering a number of potential improvements to the default strategy and underlying funds used, and any changes to the strategy will be communicated in due course.

The Trustee also reviewed the investment managers' policies in relation to ESG over the reporting period. Both Legal & General Investment Management (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 of the funds considered are currently rated "above satisfactory" or "satisfies requirements" across all of the ESG factors considered.

Isio, on behalf of the Trustee, monitor the managers' approaches on a quarterly basis and report any material changes to the Trustee. In terms of recent developments, the Trustee noted BlackRock's move to align the Market Advantage Fund with the Paris Agreement as far as possible, which has improved the Fund's ESG score.

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  **Bob McCourt**
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Position Trustee Director
(chair)

Date July 7, 2022

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, and underwent a full review of the default strategy in December 2021.
Inflation	The potential that the Plan's investments will not keep pace with inflation.	The Plan offers a number of funds which are expected to outperform inflation, including the default.	The Trustee reviews fund performance on a quarterly basis, and underwent a full review of the default strategy in December 2021.
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, and underwent a full review of the default strategy in December 2021.
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, and underwent a full review of the default strategy in December 2021.
Shortfall / pension conversion risk	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.	The Trustee reviews fund performance on a quarterly basis, and underwent a full review of the default strategy in December 2021.

		Members also have a Money Purchase Underpin which guarantees a minimum level of income in retirement.	
Currency	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, and underwent a full review of the default strategy in December 2021.
Environmental, Social and Governance	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 2021, the Trustee reviewed the investment managers' policies in relation to ESG.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

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 polices. This section details the Trustee's ESG policy.

Risk Management	<ol style="list-style-type: none"> 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. 2. ESG factors can be financially material and managing these risks forms part of the Trustee's fiduciary duty.
Approach / Framework	<ol style="list-style-type: none"> 3. ESG factors are relevant to investment decision making therefore the Trustee should understand how asset managers integrate ESG factors into their decision making. 4. ESG factors, including climate change, can be a source of investment opportunity.
Reporting & Monitoring	<ol style="list-style-type: none"> 5. Ongoing monitoring and reporting are essential tools for assessing the extent to which ESG factors are managed. 6. ESG factors are dynamic and continually evolving; therefore the Trustee will receive ongoing training to maintain an understanding of these factors.
Voting & Engagement	<ol style="list-style-type: none"> 7. The Trustee will seek to understand each investment manager's approach to voting and engagement. 8. Engaging with companies is an effective way of seeking to initiate change. 9. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management of investee companies on ESG factors.
Collaboration	<ol style="list-style-type: none"> 10. Asset managers should sign up and comply with common codes and sign practices such as the UNPRI & the UK Stewardship Code. If they do not sign up, they should have a valid reason why. 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.

ESG summary and actions with the investment managers

In December 2021 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 a market leader in their approach to ESG and voting/engagement.</p> <p>Given the underlying philosophy of the fund, LGIM is limited in how far the multi-asset fund can prioritise ESG, however the fund is able to leverage LGIM's engagement platform.</p>	<p>Investment approach/framework - Introducing exclusions into the indices which the fund invests in will help to further integrate ESG into the investment process to the extent possible given the investment philosophy.</p> <p>Reporting - LGIM should look to expand the standard fund reporting to include the ESG risks / metrics identified at fund level as part of their risk management process.</p>
LGIM Passive Equity	<p>LGIM has shown a strong commitment to highlighting, identifying and managing ESG risks across their entire fund range, including their passive equity funds.</p> <p>LGIM is a market leader in their approach to ESG. They have developed a clear and comprehensive framework for scoring portfolio companies on ESG factors. They actively communicate these scores to the companies and engage with them directly to help mitigate ESG risks moving forwards.</p>	<p>Risk management - LGIM should consider breaking down portfolio level ESG scores by the individual factors E, S and G.</p> <p>Reporting - LGIM should report on ESG metrics in standard client reporting, and provide fund level voting data on a quarterly basis and in line with implementation statement requirements.</p>
LGIM Corporate Bonds	<p>LGIM has made a number of improvements to integrate ESG over the reporting period. This includes the appointment of a dedicated Head of Responsible Investment Integration, refinement of the investment process to better reflect ESG factors, and improved stewardship approach to leverage assets across the firm.</p>	<p>Investment approach/framework - LGIM should evidence the materiality of ESG considerations in the investment process.</p> <p>Voting & engagement - LGIM should provide more detail on how they have engaged with portfolio companies and the outcome.</p> <p>Reporting - LGIM should provide standard and regular reporting (not only available on request), in relation to Corporate Bonds funds outlining the exposure to ESG risks, carbon emissions exposure, and a fund-specific summary of voting and engagement activity.</p>

<p>LGIM Government Bonds</p>	<p>LGIM has evidenced an ability to integrate ESG through counterparty review and engagement, using proprietary tools to quantify and monitor ESG risk.</p> <p>LGIM has also improved their reporting, with ESG reports available on an ad hoc basis which include engagement summaries.</p>	<p>Reporting - LGIM should include the ESG scoring of counterparties in regular client reporting.</p>
<p>LGIM Cash</p>	<p>LGIM is aware of ESG issues and monitor them at a high level whilst incorporating their beliefs into their overall investment process.</p> <p>However, there was a lack of fund-specific information with respect to Investment approach/framework.</p>	<p>Investment approach/framework - Incorporate ESG objectives specific to the Cash fund.</p> <p>Reporting - engagement data is not currently available for the Cash fund.</p>
<p>BlackRock ALMA</p>	<p>BlackRock has clear firm-wide sustainability goals and a dedicated team to deal with developing and implementing ESG initiatives.</p> <p>The integration of ESG factors is clearly evident in the identification of risks and opportunities which ultimately translate into investment decisions. The move to align the Market Advantage Fund with the Paris Agreement as far as possible has improved the fund's ESG score.</p>	<p>Risk management - BlackRock should consider producing regular diversity reports, which align with firm-wide diversity policies. While the Fund is targeting Paris-alignment, BlackRock should consider climate change scenario analysis on the portfolio.</p> <p>Reporting - BlackRock include the Fund's ESG metrics as well as voting and engagement data in quarterly reporting.</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 2021.

Fund name	Engagement summary	Commentary
LGIM UK Equity Index	Total engagements: 280 Environmental: 65 Social: 84 Governance: 198	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 across all funds other than cash.
LGIM World (ex UK) Equity Index	Total engagements: 407 Environmental: 185 Social: 133 Governance: 221	See above.
LGIM Global Equity (50:50) Index	Total engagements: 637 Environmental: 216 Social: 200 Governance: 395	See above.
LGIM Global Equity (30:70) Index – 75% Currency Hedged	Total engagements: 699 Environmental: 244 Social: 211 Governance: 425	See above.
LGIM Consensus Index	Total engagements: 695 Environmental: 275 Social: 212 Governance: 389	See above.
AAA-AA-A Corporate Bonds All Stocks Index	Total engagements: 111 Environmental: 65 Social: 33 Governance: 60	See above.

LGIM Over 5y Index-Linked Gilts	Total engagements: 28 Environmental: 24 Social: 5 Governance: 15	See above.
LGIM Bond	Total engagements: 111 Environmental: 65 Social: 33 Governance: 60	See above.
LGIM Investment Grade Corporate Bonds All Stocks Index	Total engagements: 162 Environmental: 78 Social: 53 Governance: 92	See above.
LGIM All Stocks Index-Linked Gilts	Total engagements: 28 Environmental: 24 Social: 5 Governance: 15	See above.
LGIM Cash	LGIM currently do not provide details of their engagement activities at fund level for their Cash Fund. Isio remains in contact with LGIM surrounding the firm's engagement reporting.	See above.
LGIM Ethical UK Equity Index	Total engagements: 176 Environmental: 32 Social: 61 Governance: 125	See above.
BlackRock ALMA	Total engagements: 1,534 Environmental: 1,023 Social: 599 Governance: 1,348	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 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM UK Equity Index	<p>Meetings eligible to vote at: 713</p> <p>Resolutions eligible to vote on: 9,987</p> <p>Resolutions voted: 100%</p> <p>Votes with management: 92.82%</p> <p>Votes against management: 7.18%</p> <p>Abstained from voting: 0.00%</p>	<p>JD Sports Fashion Plc:</p> <p>Resolution - Re-elect Peter Cowgill as Director.</p> <p>LGIM voted against this resolution.</p> <p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM have voted against all combined board chair/CEO roles.</p>	<p>LGIM's Investment Stewardship team manage voting and engagement across all funds, leveraging all possible capital to maximise effectiveness.</p> <p>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.</p> <p>LGIM produce an annual Active Ownership report to summarise how they have worked towards creating sustainable value for clients.</p>
LGIM World (ex UK) Equity Index	<p>Meetings eligible to vote at: 2,493</p> <p>Resolutions eligible to vote on: 29,156</p> <p>Resolutions voted: 99.81%</p> <p>Votes with management: 78.90%</p> <p>Votes against management: 20.23%</p> <p>Abstained from voting: 0.88%</p>	<p>Microsoft Corporation:</p> <p>Resolution - Elect Director Satya Nadella.</p> <p>LGIM voted against this resolution.</p> <p>LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p>	See above.
LGIM Global Equity (50:50) Index	<p>Meetings eligible to vote at: 3,205</p>	<p>NVIDIA Corporation</p> <p>Resolution - Elect Director Harvey C. Jones.</p>	See above.

	<p>Resolutions eligible to vote on: 39,141</p> <p>Resolutions voted: 99.86%</p> <p>Votes with management: 82.45%</p> <p>Votes against management: 16.89%</p> <p>Abstained from voting: 0.65%</p>	<p>LGIM voted against this resolution.</p> <p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. As part of LGIM's efforts to influence their investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board.</p>	
LGIM Global Equity (30:70) Index – 75% Currency Hedged	<p>Meetings eligible to vote at: 6,269</p> <p>Resolutions eligible to vote on: 64,914</p> <p>Resolutions voted: 99.86%</p> <p>Votes with management: 82.30%</p> <p>Votes against management: 16.72%</p> <p>Abstained from voting: 0.98%</p>	<p>The Progressive Corporation Resolution - Elect Director Lawton W. Fitt.</p> <p>LGIM voted against this resolution.</p> <p>The company was deemed to not meet minimum standards with regards to climate risk management and disclosure.</p>	See above.
LGIM Ethical UK Equity Index	<p>Meetings eligible to vote at: 256</p> <p>Resolutions eligible to vote on: 4,133</p> <p>Resolutions voted: 100%</p> <p>Votes with management: 93.76%</p> <p>Votes against management: 6.24%</p> <p>Abstained from voting: 0.0%</p>	<p>Kier Group plc</p> <p>Resolution - Approval of Remuneration Report including substantial salary increase to CEO and LTIP awards at exceptional levels.</p> <p>LGIM voted against this resolution.</p> <p>Concern over one-off (unphased) salary increase of 26% to CEO to result in £750,000, a significant salary level for a SmallCap company following sell-off of a number of divisions in a difficult environment for other stakeholders.</p>	See above.
LGIM Consensus Index	<p>Meetings eligible to vote at: 7,572</p> <p>Resolutions eligible to vote on: 77,577</p>	<p>Walgreens Boots Alliance, Inc</p> <p>Resolution - Advisory vote to ratify named executive officer's compensation.</p>	See above.

	<p>Resolutions voted: 99.80%</p> <p>Votes with management: 79.04%</p> <p>Votes against management: 20.27%</p> <p>Abstained from voting: 0.69%</p>	<p>LGIM voted against this resolution.</p> <p>The company’s compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. Exercising discretion in such a way during a year in which the company’s earnings per share declined by 88% caused a significant misalignment between pay and performance.</p>
<p>BlackRock ALMA</p>	<p>Meetings eligible to vote at: 5,576</p> <p>Resolutions eligible to vote on: 57,934</p> <p>Resolutions voted: 91.83%</p> <p>Votes with management: 84.23%</p> <p>Votes against management: 7.61%</p> <p>Abstained from voting: 1.65%</p>	<p>3D Systems Corporation</p> <p>Resolution - Elect Director Thomas W. Erickson.</p> <p>BlackRock voted against this resolution.</p> <p>BlackRock voted against Nominating/Governance Committee member for failure to adequately account for diversity on the board.</p> <p>BlackRock use Institutional Shareholder Services’ (ISS) electronic platform to execute vote instructions.</p> <p>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.</p>

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