



Fuller, Smith and Turner Pension Plan

January 2023

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)

No changes were made to the SIP over the year,

The SIP can be found online at the web address <https://www.fullers.co.uk/-/media/sites/mainsite/pension/sip-2020-fuller-smith-turner-pension-plan.ashx>

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:

- actions the Trustees have 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 Trustees have 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 30 July 2022 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf.

Summary of key actions undertaken over the Plan reporting year

- The Trustees finalised the implementation of the Plan's new investment strategy which consists of 20% Passive Global Equity, 20% Multi-asset Credit ('MAC'), 15% Private Markets Credit, 20% Buy and Maintain Credit, 25% Liability Driven Investment ('LDI').
- In April, the Trustees agreed to disinvest fully from the Diversified Growth Fund (DGF) held with Abrdn and invest the proceeds with BlackRock. This allocation temporary holding forms a liquidity solution that will be used to fund the Private Markets Credit allocation over time. There is no strategic allocation to DGF assets.
- The Trustees agreed to a de-risking plan, that set out subsequent disinvests from the passive global equity fund to increase the allocations to MAC and LDI. De-risking is expected to occur at pre-determined triggers of the funding position improving, which occurred after year-end.

Implementation Statement

This report demonstrates that the Fuller, Smith and Turner Pension Plan has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing Risks and Policy Actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge between 70% and 80% of these risks on the Technical Provisions basis.	The hedge ratio remained at 80% for the year.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI.	Based on the strategic asset allocation, the Plan expects to have 20% of assets held in daily dealt funds and 65% of assets held in weekly dealt funds.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The strategy has a relatively low allocation to equity & diversified growth holdings, and is expected to reduce over time under the agreed de-risking framework.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.	The Trustees have appointed LGIM, M&G and BlackRock to manage credit exposure; which is diversified across Investment Grade Credit, Multi-asset Credit and Private Credit respectively.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors; including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who satisfy the following criteria; unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process	The Trustees received subsequent training from LGIM, the principal investment manager, in June 2022.

Currency		<p>3. A track record of using engagement and any voting rights to manage ESG factors</p> <p>4. ESG specific reporting</p> <p>The Trustees monitor the managers on an ongoing basis.</p>	
	<p>The potential for adverse currency movements to have an impact on the Plan's investments.</p>	<p>Hedge all currency risk on all assets that deliver a return through contractual income.</p>	<p>The Trustees have appointed investment managers that adhere to this policy.</p>

Engagement

As the Plan invests via fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to 30 July 2022.

Fund name	Engagement summary	Commentary
Aberdeen Standard, ASI Life Diversified Growth Fund	<p><i>ASI included multiple topics in relation to each engagement up to their disinvestment in April 2022.</i></p> <p>Total engagements: 300 Climate: 92 Environment: 67 Labour: 67 Human Rights: 55 Corporate Behaviour: 68 Corporate Governance: 74</p>	<p>Aberdeen Standard (now known as 'abrdn') have not provided details of their engagements and have only given the number.</p> <p>The following excerpt is given by the 'abrdn' on their website in regards to their voting and engagement policy:</p> <p>"Voting is an important aspect in the stewardship of our clients' capital. When we engage with companies, we expect them to meet fundamental responsibilities in the areas of human rights, labour, the environment and anti-corruption. Our voting for or against management decisions is guided by this approach."</p>
BlackRock, Diversified Private Debt Fund	<p><i>BlackRock do not provide data on their number of engagements for the Diversified Private Debt</i></p>	<p>BlackRock have provided the example of an engagement with a company in Germany. The BlackRock Sustainable Transitions Solutions ('STS') team discussed the integration of ESG / CSR Reporting and the advancement of their Corporate Carbon Footprint assessment / reduction initiatives through climate offsetting schemes and climate balance sheet reporting.</p>
BlackRock Diversified Dynamic Growth Fund	<p>Total engagements: 871 Environmental: 526 Social: 331 Governance: 755</p>	<p>Examples of significant engagements include:</p> <p>Alphabet Inc. BlackRock and its fellow shareholders raised several proposals including:</p> <ul style="list-style-type: none"> • Report on metrics and efforts to reduce water related risk • Oversee and report a third-party racial equity audit • Commission third party assessment of company's management of misinformation and disinformation across platforms <p>BlackRock voted in favour of the four proposals. There was a large amount of pushback from fellow voters. The vote that was approved for was overseeing the third-party racial equity audit.</p> <p>BlackRock Investment Stewardship Team ("BIS") listed water management as a material risk for Alphabet, due to their usage in cooling data centres.</p>

		<p>The company recently altered their water metrics disclosure to include three water indicators (total water withdrawal, consumption, and discharge), in line with industry standards. However, the company does not explicitly disclose annual usage or other risk metrics by location; whereas their competitors do.</p> <p>The second shareholder proposal requested that the Board "commission a third-party, independent racial equity audit analysing Alphabet Inc.'s adverse impacts on Black, Indigenous and People of Color (BIPOC) communities. Input from racial justice and civil rights organizations and employees, temporary vendors, and contractors should be considered in determining specific matters to be analysed."</p> <p>BIS felt the need for recurring diversity audits, which would address material risks and opportunities to enable stakeholders to track the effectiveness of the company's DEI efforts, thereby providing insight into the company's ongoing priorities.</p> <p>BlackRock believe that a third-party audit would allow shareholders to assess the effectiveness and outcomes of the company's stated policies and track progress against goals.</p> <p>BIS supported the shareholder proposal on misinformation, as they believed shareholders would be better served by the company undergoing an independent assessment of their approach to information management rather than one conducted by a third-party with which Alphabet is affiliated.</p>
<p>LGIM Gilt Funds</p>	<p>Data is based on the 12-month period to 30 September 2022</p> <p>Total engagements: 26 Environmental: 19 Social: 3 Governance: 15</p>	<p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p> <p>Top three engagement topics:</p> <ul style="list-style-type: none"> - 17 Climate change engagements - 7 Board composition engagements - 5 Remuneration engagements
<p>LGIM, World Equity Index Fund</p>	<p>Data is based on the 12-month period to 30 September 2022</p> <p>Total Engagements: 454 Comprising 312 meetings/conference calls and 461 written engagements.</p> <p>Environmental: 221 Social: 168 Governance: 234 Other topics 81</p>	<p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p> <p>Top three engagement topics:</p> <ul style="list-style-type: none"> - 139 Climate change engagements - 123 Remuneration engagements - 78 Board composition engagements

<p>LGIM Maturing Buy and Maintain</p>	<p>Total Engagements: 220 Environmental: 116 Social: 80 Governance: 128</p>	<p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p> <p>Top three engagement topics:</p> <ul style="list-style-type: none"> - 73 Climate change engagements - 62 Remuneration engagements - 50 board composition engagements
<p>M&G Total Return Credit Investments Fund</p>	<p><i>Data is based on the 12-month period to 31st July 2022</i></p> <p>Total Engagements: 16 Environmental: 10 Social: 2 Governance: 4</p>	<p>Examples of engagements include:</p> <p>Koninklijke KPN NV and Orange S.A. Koninklijke KPN N.V. are an IT and telecoms provider from the Netherlands, operating as both a B2C and a B2B firm with its fixed and mobile networks for telephony, broadband and television. Orange S.A. are a French telecommunications company now providing services to residential, professional, and large business customers</p> <p>Both companies have been engaged to participate in a "copper switch-off" by reducing their usage of the metal and M&G have engaged with the company to ensure that they have considered the sale of copper</p> <p>M&G requested improved disclosure on this topic in terms of:</p> <ul style="list-style-type: none"> • Timeline to start and complete the copper switch-off • Expected energy consumption reduction • Expected opex and capex savings • Expected weight of copper available for sale/recycling • Expected value of copper vs expected cost to close/extract <p>M&G have suggested that they will continue to engage with the company on the above.</p>

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 covering the reporting year up to 30 July 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Aberdeen Standard, ASI Life Diversified Growth Fund	Data represents the year to 31 st March 2022. <i>Votable Proposals: 8414</i> <i>Proposals Voted: 8242</i> <i>For votes: 7150</i> <i>Against votes: 1032</i> <i>Abstain votes: 60</i> <i>Withhold votes: 94</i>	<p>HSBC Holdings Plc HSBC Holding Plc is a multinational bank and financial services company headquartered in the UK. ASI supported a vote to require for HSBC management to approve their new Climate Change Resolution. The vote ended up being successfully passed.</p> <p>Severn Trent Plc Severn Trent plc is a water company based in Coventry, England. The vote to approve the company's Climate Change Action Plan was voted for by ASI and it was also successfully passed.</p>	The manager uses ISS as their proxy advisor service, where they have a bespoke policy in place.
BlackRock Dynamic Diversified Growth Fund	<i>Votable Proposals: 11,906</i> <i>Proposals Voted: 11,197</i> <i>For votes: 10,574</i> <i>Against votes: 623</i> <i>Abstain votes: 199</i>	<p>The Home Depot Inc The Home Depot Inc is an American international home improvement retail company selling construction products, tools, appliances and services as well as transportation rentals. Home depot passed a motion to its shareholders to vote on reporting of their attempts to eliminate deforestation in the supply chain. BlackRock voted in favour of the motion and it was successfully passed.</p>	BlackRock's proxy voting process is led by the BlackRock Investment Stewardship Team (BIS) which consists of regional teams. BlackRock use Institutional Shareholder Services (ISS), an electronic platform, to access voting research and to execute their vote instructions.
LGIM, World Equity Index Fund	Data is based on the 12-month period to 30 September 2022 <i>Votable Proposals: 24037</i> <i>Proposals Voted: 23960</i>	<p>Most of the Fund's voting is in relation to the election/re-election of senior members.</p> <p>Apple Inc.</p>	All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment

Votes 'with' management:
18662
Votes 'against' management:
5319
Abstain votes: 55

Apple are world-renowned technology company, with their headquarters in California in the United States

The company conducted a shareholder vote on their Report on Civil Rights Audit. LGIM ended up voting in favour of the resolution, as they consider diversity and inclusion issues to be a material risk to companies.

The vote was supported by 53.6% of voters. LGIM have suggested that they will continue to engage with the investee, and they will publicly advocate their position on this issue and monitor company and market-level progress.

and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

