



# 4imprint 2016 Pension Plan Implementation Report

September 2020

# 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 trustees 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')

The Trustee has updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the following web address:

<https://investors.4imprint.com/governance/4imprint-2016-pension-plan/>

Changes made to the most recent version of the SIP are detailed on the page 6.

## Implementation Report

This Implementation Report is to provide evidence that the Trustee continues to follow and act on the principles outlined in the SIP. This report details:

- 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 they invest
- voting behaviour covering the reporting year up to 30 September 2020 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

## Summary of key investment strategy actions undertaken over the reporting year

- Over the reporting period the Trustee carried out a formal investment strategy review, following which it was agreed the Plan would move to a new strategy targeting a 75% allocation to an LDI mandate with LGIM and a 25% allocation to a multi-asset credit mandate with M&G. The holdings as at 30 September 2020 therefore reflect a temporary asset allocation as the Plan was mid-transition ahead of the final implementation of the new strategy in Q4 2020.
- The Plan received a one-off sponsor contribution of £7.5m in May 2020, which was temporarily held in the Standard Life Deposit and Treasury Fund while the investment strategy review was ongoing.

- The Trustee decided to de-risk prior to the implementation of the new investment strategy, and so the Plan switched all of the assets held in the Aberdeen DGF to the Standard Life Deposit and Treasury Fund over three tranches during July and August 2020.
- The Plan also temporarily invested in two LGIM Gilt Index Funds in September 2020, using cash held in the Standard Life Deposit and Treasury Fund. This was to gradually increase the Plan's hedge levels over two tranches ahead of the implementation of the new LDI mandate with LGIM.
- Post 30 September 2020, full disinvestments from the Aberdeen Standard Investments ("ASI") ILPS Funds and Standard Life Deposit and Treasury Fund were carried out. The Plan subsequently invested across the LGIM pooled bucket LDI range (and Sterling Liquidity Fund) and M&G Total Return Credit Investment ("TRCI") Fund.

### **Implementation Statement**

This report demonstrates that the 4imprint 2016 Pension Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

**Signed by:** Rachel Tranter

**Position:** Director – BESTrustees Limited

**Date:** 09/02/2021

# Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions
Interest rates and inflation	The risk of a mismatch between changes in the value of the Plan's assets and the present value of its liabilities due to changes in interest rates and inflation expectations.	To maximise hedging while generating an overall portfolio return consistent with what is required from a Plan funding perspective.	The Trustee agreed to implement a new LDI strategy with LGIM, targeting a 100% hedge, which was implemented after 30 September 2020.  <b>These changes to the asset allocation were reflected in the SIP which was updated in September 2020.</b>
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 manager.	All assets are held in liquid holdings to maintain adequate flexibility to meet ongoing liabilities.  The LGIM Sterling Liquidity Fund has been earmarked as a first source of capital for LDI capital calls, with the M&G TRCI Fund available if this is ever exhausted.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where practicable.	The Plan has focused on de-risking towards credit-based growth assets to generate required returns. This involved agreeing to fully disinvest from the Aberdeen DGF and ASI ILPS and implementing a new strategy including LDI and multi-asset credit mandates.  <b>These changes to the asset allocation were reflected in the SIP which was updated in September 2020.</b>
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	The strategy review carried out over the reporting period focused on gaining exposure to liquid credit investments as a return driver. Consistent with this, post year end, the Plan reallocated to M&G TRCI.

		securities where the yield available sufficiently compensates the Plan for the risk of default.	<b>These changes to the asset allocation were reflected in the SIP which was updated in September 2020.</b>
<b>Environmental, Social and Governance</b>	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	<p>To delegate to investment managers the consideration of ESG factors in determining the appropriate holdings within their portfolios.</p> <p>The Trustee does not impose social, environmental or ethical constraints on the investment managers in relation to the selection, retention and realisation of investments.</p>	<p>ESG actions undertaken:</p> <ul style="list-style-type: none"> <li>• This updated ESG policy was reviewed by the Trustee as part of the SIP update in September 2019</li> </ul> <p>In future the Trustee will consider obtaining Impact Assessments, which are formal summaries of each investment manager's approach to and capabilities within ESG.</p>
<b>Currency</b>	The potential for adverse currency movements to have an impact on the Plan's investments.	<p>Invest in GBP share classes where possible to avoid direct currency risk.</p> <p>The Trustee has a preference towards managers which hedge currency risk in underlying assets.</p>	The Plan's investment holdings are all GBP denominated, avoiding any direct currency risk. M&G also aim to hedge any indirect foreign currency exposure within the TRCI Fund as far as possible.

# Changes to the SIP

## Policies added to the SIP

Date updated: 11 September 2020

**How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.**

- As the Plan is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.

**How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.**

- The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.
- The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of the Implementation Statement for the Trustee Report and Accounts. This will first be conducted for the Plan Accounts covering the period up to 30 September 2020. By doing this, it indirectly incentivises the investment managers to make decisions based on non-financial information.

**How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.**

- The Trustee reviews the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
- The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
- Quarterly investment performance reports are produced documenting the performance of each of the Plan's investment managers.

**The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.**

- The investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
- Where relevant, portfolio turnover costs are considered periodically.



### The duration of the Plan's arrangements with the investment managers

- The duration of the arrangements is considered in the context of the type of fund the Plan invests in.
    - For closed-ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with the Trustee's objectives and Plan's liquidity requirements.
    - For open-ended funds, the duration is flexible, and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
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# Implementing the current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Trustee’s policy with regards to ESG as a financially material risk. This page details how the Plan’s ESG policy is implemented, while the following page outlines Isio’s current assessment criteria used in evaluating the Plan’s managers’ ESG policies and procedures. The rest of this statement details Isio’s view of the managers, actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Plan’s investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee may wish to review the Plan’s ESG policies and engagements periodically to ensure they remain fit for purpose.

### Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement are where the Trustee determines that:
Performance, Strategy and Risk	<ul style="list-style-type: none"> <li>The Trustee receives a quarterly performance report which details information on the underlying investments’ performance and strategy, which are considered at the relevant Trustee meeting.</li> <li>The Trustee will monitor overall risks within wider strategy reviews as required, upon advice from appointed investment advisers.</li> </ul>	<ul style="list-style-type: none"> <li>There are significant changes made to the investment strategy.</li> <li>The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee’s expectations.</li> <li>Underperformance relative to the performance objective over the period that this objective applies.</li> </ul>
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> <li>The Trustee has obtained their investment managers’ environmental, social and corporate governance policies.</li> </ul>	<ul style="list-style-type: none"> <li>Managers have not acted in accordance with their policies and frameworks.</li> <li>Either manager’s policy is not in line with Trustee’s policy in this area, whether in its current form or if revised.</li> </ul>



## Example areas of assessment

The table below outlines example areas on which the Plan's investment managers could be assessed when evaluating their ESG policies and engagements.

<b>Risk Management</b>	<ol style="list-style-type: none"> <li>1. ESG factors such as climate change are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee.</li> <li>2. The Trustee believes that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.</li> </ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"> <li>3. The Trustee wants to understand how asset managers integrate ESG within their investment process and in their stewardship activities.</li> <li>4. The Trustee believes that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will seek to allocate to these sectors.</li> <li>5. The Trustee considers the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.</li> </ol>
<b>Reporting &amp; Monitoring</b>	<ol style="list-style-type: none"> <li>6. ESG factors are dynamic and continually evolving, therefore the Trustee will receive training as required to develop their knowledge.</li> <li>7. The Trustee will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.</li> </ol>
<b>Voting &amp; Engagement</b>	<ol style="list-style-type: none"> <li>8. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.</li> <li>9. The Trustee believes that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance.</li> <li>10. The Trustee wants to understand the impact of voting &amp; engagement activity within their investment mandates.</li> </ol>
<b>Collaboration</b>	<ol style="list-style-type: none"> <li>11. Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD.</li> <li>12. The Trustee should sign up to a recognised ESG framework to collaborate with other investors on key issues.</li> </ol>

# Engagement

As the Plan invests via pooled funds managed by external fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 30 September 2020. Please see below for a summary relating to the funds the Plan had exposure to over this period.

Fund name	Engagement summary	Commentary
Aberdeen Standard Investments (ASI) Diversified Growth Fund (DGF)	<p>Total engagements: 1440</p> <p>Environmental: 280</p> <p>Social: 365</p> <p>Governance: 795</p>	<p>ASI were unable to provide detailed commentary on specific fund-level engagements. However, they did outline their firm-wide engagement policy for all multi-asset strategies, which is summarised below.</p> <p>As a multi-asset manager, ASI believe in informed and constructive engagement to protect clients' investments. ASI therefore seek to incorporate responsible investing into their investment processes, including the asset allocation and risk management stages.</p> <p>The engagement process follows the steps outlined below:</p> <ul style="list-style-type: none"> <li>• <b>Monitoring</b> ongoing due diligence carried out on invested firms to analyse business performance and identify risks and opportunities.</li> <li>• <b>Contacting</b> involves frequent dialogue with senior executives/board members of investee companies to maintain a strong business relationship.</li> <li>• <b>Engaging</b> with companies on issues and opportunities identified to maximise influence as asset owners to drive positive outcomes.</li> <li>• <b>Acting</b> by taking necessary actions such as increasing or decreasing allocations and collaborating with other investors.</li> </ul>
Aberdeen Standard Integrated Liability Plus Solutions (ILPS)	Total Engagements: N/A	ASI stated engagement was not a relevant consideration for the ILPS Funds given the nature of the underlying holdings.
LGIM Gilt Index Funds and Sterling Liquidity Fund	Total Engagements: N/A	LGIM do not consider engagement data to be relevant to these Funds due to the underlying holdings being passively held cash and gilts. As outlined above for ASI ILPS, cash and gilt holding typically have no engagement rights attached to them, as such the Funds' overall engagement influence is negligible.

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<b>Standard Life Depositary &amp; Treasury Fund</b>	Total Engagements: N/A	ASI did not provide any engagement data relating to this Fund.
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# Voting (for equity/multi asset funds only)

As the Plan invests in pooled funds via third party fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 30 September 2020. The managers also provided examples of any significant votes. Please see below for a summary relating to the relevant funds the Plan had exposure to over this period.

Fund name	Voting summary	Examples of significant votes	Commentary
<b>Aberdeen Standard Diversified Growth Fund (DGF)</b>	<p>Meetings voted: 288</p> <p>Votes cast: 3,412</p> <p>Votes 'for' management: 2,942</p> <p>Votes 'against' management: 470</p>	<p><b>Alergan plc</b> – ASI voted against the proposed management’s non-salary compensation. Given the sub-optimal performance by management in recent years, ASI believed there to be a significant disconnect with pay and performance relative to key aspects identified by shareholders.</p> <p><b>Alimentation Couche-Tard Inc.</b> – The company already supported the UN Sustainable Development Goal 8 but did not have an employment policy. ASI voted in favour of a proposal to adopt a responsible employment policy while ensuring the employees earn a living wage. ASI believed that commitment to this would convey a strong message that the company is a socially responsible employer.</p> <p><b>Tesla Inc</b> – ASI voted in favour of a proposal to add additional reporting on human rights as part of Tesla’s risk assessments. ASI are a supporter of the UN Guiding Principles on Business and Human Rights (UNGPs) and expect companies they invest in to demonstrate how they adhere to and implement UNGPs in their business activities. Whilst Tesla has various codes and standards associated with human rights, it did not previously detail the effectiveness of these measures. ASI hope the additional reporting will help investors understand how</p>	<p>ASI apply their firm-wide voting principles to the DGF holdings to drive positive outcomes. This process involves ASI’s internal proxy voting team collecting general meeting notifications and research and allocating the voting decision through a pre-defined framework to the analyst responsible for making the voting decision for each company. The analysts selected will be a member of the ESG Investment desk responsible for the relevant sector.</p> <p>When ASI vote against a resolution at a company meeting, they use best endeavours to explain to the company their reasons for this decision. In exceptional circumstances, they attend and speak at shareholder meetings to reinforce their views to the company’s board.</p> <p>Voting rights are only applicable for the publicly listed components of the portfolio, including listed equities (17.6%), Real Estate Investment Trusts</p>

<b>Aberdeen Standard Integrated Liability Plus Solutions (ILPS)</b>		effectively human rights is integrated into the business.	(9.1%) and infrastructure (18.2%) holdings. <sup>1</sup>
	Votes: N/A	Significant votes: N/A	The ILPS Funds have multi-asset exposure within the growth engine. However, this is accessed synthetically using derivative positions which do not hold any voting rights (unlike physical equity holdings). As such no voting data is available.

<sup>1</sup> Allocations quoted reflect the Fund asset allocation as at 30 September 2020 (i.e. the Plan's reporting date).

