

FINNFOREST UK PENSION PLAN

Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustees have been followed during the year to 5 April 2022. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustees' primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

The Trustees wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustees recognise that the investment performance of the Plan's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the sponsoring employer's ability and/or willingness to continue to support the Plan. With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Plan benefits as they fall due and avoid any reduction in benefits if possible
- To achieve and maintain a funding level of 100% on the on-going funding basis
- To minimise risk in achieving and maintaining a 100% funding level on the on-going funding basis subject to acceptable affordability
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Plan

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Investment Strategy

During the course of the financial year, there was no change made to the investment strategy. However, there were changes made to the investment strategy in March 2020 (the month prior to the reporting period). The changes to the investment strategy implemented in March 2020 focused on reducing interest rate and inflation risk faced by the Plan, by increasing the allocation to the asset class Real Liability Driven Investments (LDI). This is known as improving the Plan's 'hedging' to interest rate and inflation risk.

In order to assess the effectiveness of the investment strategy and investment manager selection, the Trustees receive an annual monitoring report on the performance of the underlying investment managers from Mercer. The report presents performance information over 3 months, 1 year and 3 years, and shows the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis.

In addition to the investment report, ad hoc updates are provided to the Trustees at each Trustee meeting.

Review of the SIP

The Plan's SIP was updated in September 2020. The changes made to the SIP reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustees' policies in SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

Plan's Investment Structure

Over the course of the year, the Plan's assets were invested via the JLT Investment Management (JLT IM), who maintained a Trustees Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Plan to invest in pooled funds managed by third party investment managers.

JLT IM, now a part of Mercer, has fiduciary responsibility for the selection of pooled funds on the Mobius Platform.

As such, the Trustees have no direct relationship with the Plan's underlying investments managers.

At the time of writing this document, the Plan's relationship with JLT IM has ceased due to the closure of the company on 31st March 2021.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that it must consider all factors that have the potential to impact upon the financial performance of the Plan's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Plan's SIP includes the Trustees' policy on ESG factors, Stewardship and Climate Change (Section 4.4 to 4.6). The policies were last reviewed in September 2020. The Trustees keep its policies under regular review with the SIP subject to review at least triennially.

The Trustees are responsible for ensuring that the Trustees Directors are sufficiently educated in areas relating to ESG. During the reporting period, Mercer, as the investment adviser to the Plan, provided Trustees training on 'Investments', inclusive of ESG considerations.

Engagement

In the relevant year, the Trustees have not engaged with either Mobius, JLT IM, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees review the stewardship and ESG policies of the Fund managers periodically.

The Trustees have effectively delegated their engagement activities to the investment managers of the funds that the Plan is invested in. As a result, the Trustees have not directly engaged with the underlying companies that comprise the pooled funds.

Further, the Trustees did not engage with any public policy work over the reporting period.

Voting Activity

The Plan has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Plan's investments. The Trustees have therefore effectively delegated their voting rights to the managers of the funds the Plan's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Plan year.

Nevertheless, this Statement 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 Plan's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

The table on the following page sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Columbia Threadneedle – Multi Asset Fund	<p>Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services.</p> <p>Columbia Threadneedle have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.</p>	6,115	470	122	<p>Threadneedle defines “significant” votes to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.</p>	<p>Threadneedle have provided a number of examples. These were predominantly where they had voted against election of a director or changes remuneration benefits.</p> <p>For example, Amazon.com Inc., Threadneedle voted against an election of a director, as there were concerns that the director was not independent.</p>
LGIM - Global Equity Fixed Weights (50:50) Index Fund	<p>LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares.</p>	41,040	7,334	62	<p>In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p> <ul style="list-style-type: none"> • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or 	<p>LGIM have provided a number of examples. These were predominantly where LGIM had voted against election of a director or changes remuneration benefits.</p> <p>For example, Imperial Brands plc, LGIM voted against both the resolutions to approve remuneration report and remuneration policy.</p>

					where we note a significant increase in requests from clients on a particular vote;	
					• Sanction vote as a result of a direct or collaborative engagement;	
					• Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.	
LGIM - Global Real Estate Equity Fund	Same as above	4,390	888	2	Same as above	Additional example of voting activities are available on request.
LGIM - Global Listed Private Equity Passive Fund	Same as above	843	196	0	Same as above	Additional example of voting activities are available on request.
Nordea Diversified Return Fund	ISS – for the technical expertise and voting platform, as well as their global reach, and second opinion NIS – small niche player which provides input and third opinion	2,522	290	31	Significant votes are those that are severely against our principles, and where we feel we need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, we benchmark the proposals against our policy.	Nordea have provided a number of examples. These were predominantly where the manager had voted against the advisory to Ratify Named Executive Officers' Compensation. For example, on Nike, Nordea voted against the advisory to Ratify Executive officer's compensation as there were concerns regarding bonuses and share based incentives and relevant targets aligned with the interest of shareholders not being clearly defined.

Notes: ISS = Institutional Shareholder Services Inc.