



4imprint 2016 Pension Plan Implementation Report

September 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 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/>

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. However, no details have been reported on with regards to voting activity as the Plan no longer has any equity exposure.

Summary of key investment strategy actions undertaken over the reporting year

- The Trustee made no major strategic changes over the reporting period.
- The Plan's strategic asset allocation during the year included a 75% allocation to LDI and cash holdings with Legal & General Investment Management (LGIM), with the remaining 25% allocated to a Multi-Asset Credit mandate with M&G, accessed through the LGIM platform.
- The asset allocation was monitored on a periodic basis with reference to a 5% control range and rebalanced when necessary.
- Following the end of the reporting period, the Plan fully disinvested from the M&G Multi-Asset Credit mandate and reinvested the proceeds into the LGIM Sterling Liquidity Fund. As such the previous strategic benchmark was subsequently removed.

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: BESTrustees Limited as Trustee

Date: 13/04/2023

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.	<p>During the period, the Plan pragmatically reduced its LDI exposure to rebalance back towards a target hedge ratio of c.100% on a gilts-flat liability basis.</p> <p>Post-year end, the Plan further reduced its target hedge ratios to 95% of gilts-flat liabilities in an attempt to better match the expected interest rate exposure of insurers' pricing bases ahead of a possible transaction.</p>
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.	<p>All assets are held in liquid holdings to maintain adequate flexibility to meet ongoing liabilities.</p> <p>The LGIM Sterling Liquidity Fund ('SLF') was used as a first source of capital for LDI capital calls over the year, with the daily dealt M&G TRCI Fund available if the former was ever exhausted. Over the reporting period, ongoing cashflow requirements were sourced from both the LGIM SLF and M&G TRCI Fund, depending on their relative weights against the strategic benchmark.</p> <p>Post-year end, the Plan fully disinvested from the M&G TRCI Fund with the proceeds being reinvested into LGIM SLF. This was carried out to reduce the potential operational risk associated with sourcing assets from outside of LGIM in the event LDI capital calls extinguish the SLF holdings.</p>

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.	<p>During the period, the Plan maintained a low risk investment strategy which held credit-based growth assets alongside LDI and cash.</p> <p>As above, since year end, the Trustee further de-risked the strategy by fully disinvesting from the M&G TRCI Fund ahead of a possible insurance transaction.</p>
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>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.</p>	During the period, the Plan held investments in the M&G TRCI Fund. The Fund's underlying investments held an investment grade average credit rating over the year.
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.	<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>	The Trustee has obtained its investment managers' environmental, social and corporate governance policies.
Currency	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>	<p>The Plan's pooled investment holdings are all held in GBP denominated share classes, avoiding any direct currency risk.</p> <p>M&G also aimed to hedge any indirect foreign currency exposure as far as possible.</p>

Changes to the SIP

There were no changes made to the Plan's SIP over the 12 months to 30 September 2022.

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

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 2022. Please see below for a summary relating to the funds the Plan had exposure to over this period.

Fund name	Engagement summary	Commentary
M&G Total Return Credit Investment ("TRCI") Fund	<p>Total engagements: 16</p> <p>Environmental: 10</p> <p>Social: 2</p> <p>Governance: 4</p>	<p>M&G keep regular contact with the management teams of the issuers within their portfolio and have a central Sustainability & Stewardship team to drive engagement activity once analysts flag key ESG-related issues. Given the Fund invests in debt and debt-like assets however, engagement rights are more limited than equity assets. As such M&G will typically rely on the equity holder(s) for data provision and voting activity to support their engagement efforts.</p> <p>Thermo Fisher – M&G met with the investor relations team and senior director of corporate social responsibility for US medical technology firm Thermo Fisher, following reports of their human identification products being used in human rights violations in China. M&G sought to ensure that Thermo Fisher has adequate policies in place to minimise the likelihood of misuse of its equipment.</p> <p>M&G are satisfied that Thermo Fisher have taken the issues around the misuse of the equipment seriously by improving their policies and procedures. Thermo Fisher has implemented a Code of Business Conduct and Ethics, which is applicable to all directors, officers and employees, who also receive annual training on the code. Furthermore, the company has implemented a multi-level purchasing process which is in place to help prevent the ordering and resale of human identification products to public security bureaus.</p> <p>Marks & Spencer ('M&S') – M&G sent a letter to M&S to make their expectations around the potential for M&S to become Real Living Wage accredited known. Whilst M&S are not currently seeking accreditation, M&G are happy with the work the company is doing to ensure that its employees are paid fairly. Frontline employees in stores are paid above the real living wage and also have access to discounts and a generous pension. M&G were also encouraged by M&S' low staff turnover rate relative to peers in the retail sector and the use of a reward and wellbeing survey to identify the priorities of their employees.</p>
LGIM LDI and Cash	<p>Total engagements: N/A</p>	<p>LGIM do not consider engagement data to be relevant to the Plan's LDI holdings due to the underlying assets being passively held in cash and gilts. These holdings typically have no engagement rights attached to them, as such LGIM's overall engagement influence from these holdings is negligible.</p>

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