



Forester Group Employee Pension Scheme

31 March 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as environment, social and governance ("ESG") becomes increasingly important to regulators and society. The Department for Work and Pensions ("DWP") has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a trustee's fiduciary duty.

Implementation Statement

This Implementation Statement is to provide evidence that Forester Group Employee Pension Scheme (the "Scheme") continues to follow and act on the principles outlined in the Statement of Investment Principles ("the SIP"). The Scheme's current SIP is dated 31 October 2024.

The Implementation Statement details:

- actions the Scheme 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 Scheme 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; and
- voting behaviour covering the reporting year up to 31 March 2025 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

This report demonstrates that the Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Summary of key actions undertaken over the Scheme reporting year in relation to the Defined Benefit ("DB") section of the Scheme

No changes were made to the Scheme's investment strategy over the reporting year.

Over the reporting period an investment strategy review was undertaken, and alternative strategies are being considered by the Trustee and the sponsoring employer. Once a strategy has been confirmed, the SIP will be updated accordingly to reflect the new strategy implemented.

The Defined Contribution section has not been included in this report in anticipation of the planned transfer to a Master Trust.

Managing risks and policy actions

Managing risks – DB section of the Scheme

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Risk versus the liabilities	The risk that the Scheme's position deteriorates due to the assets underperforming.	<p>The Trustee will monitor and review the investment strategy with respect to liabilities following each actuarial valuation, and during the intervening period as required.</p> <p>The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's SIP.</p>	No actions or changes to report.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis.	The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	The risk of mismatch between the value of the Scheme assets and present value of liabilities.	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.	No actions or changes to report.
Asset allocation	The risk that the asset allocation deviates from the strategic allocation.	To monitor the asset allocation on a regular basis.	No actions or changes to report.

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Investment Manager risk	The risk that the investment managers underperform against their objectives.	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.	No actions or changes to report.
Concentration/Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.	No actions or changes to report.
Liquidity	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements.	The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.	All the Scheme's investments are in GBP denominated share classes.
Loss of investment	The risk of loss of investment by each investment manager and custodian. This includes losses beyond those caused by market movements.	The risk of loss of investment is assessed by the Trustee.	No actions or changes to report.

Changes to the SIP

Over the 12-month reported period, there were no changes to the DB section of the SIP.

In October 2024, the SIP was updated for the DC section in regards to regulation around the illiquidity policy. The below table details the additional wording that was added.

Policies added to the SIP during the reporting year

Updated: October 2024

Illiquid policy

- The Trustee is required to state its policy on investing in illiquid assets for the Scheme's default investment arrangement. As defined by the Pensions Regulator, illiquid assets are those that cannot easily or quickly be sold or exchanged for cash and include any such assets held in a collective investment scheme.
- The Trustee recognises the potential benefits from illiquid investments (assets of a type which cannot easily or quickly be sold or exchanged for cash), including improved diversification and enhanced risk adjusted returns.
- Illiquid assets are currently held within the Scheme's default arrangement through a direct allocation to property, predominantly UK commercial property, and indirectly to global real estate through collective investment schemes.
- The current investment in illiquid assets is the result of the default arrangement's strategic asset allocation. Allocations to illiquids are held during all phases of the default lifestyle profile, with the global real estate exposure starting to reduce slightly once members are 10 years from their retirement age.
- While the Trustee's policy on investing in illiquids is currently limited to investments in property, the Trustee will keep this policy under review, considering whether to, and if so, how to expand the type and range of illiquid assets in which it invests in the future. This decision will be taken in conjunction with the DC provider given the Scheme uses an "off-the-shelf" approach for its default arrangement.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a risk as it potentially could have a material impact on investment risk and return outcomes.

The Trustee believes that ESG factors can be material to the assessment of investment value and mitigation of investment risk (to varying degrees across companies, sectors, regions and asset classes and through time). The Trustee believes that ESG factors should be considered by the investment managers – where relevant and material to the specific investment mandate under consideration. The Trustee has reviewed the extent to which the fund managers analyse and integrate ESG risks and opportunities into their investment process and will monitor their approach to the integration of ESG risks and opportunities on an on-going basis. However, the Trustee does not impose constraints solely on the basis of ESG factors when selecting investments.

The Trustee expects fund managers to use rights (including voting rights) wholly in the economic interests of the members.

Implementing the current ESG policy

The following table outlines the areas by which the Scheme's investment managers are assessed on when evaluating their ESG policies. The Trustee will review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Areas for monitoring and Engagement	Method for monitoring and Engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights.	The Trustee receives information from its investment advisor/investment managers on the investment managers' approaches to engagement.	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustee's policies in this area.</p>

Through the engagement described above, the Trustee will work with its investment advisor and/or managers to improve the managers alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Engagement and Voting

Fund name	Engagement summary	Commentary
L&G UK Equity Index Fund	<p>Total engagements: 362</p> <p>Environmental: 168</p> <p>Social: 58</p> <p>Governance: 112</p> <p>Other: 24</p> <p>Please note that the sum of the above categories is greater than the number of total engagements as some engagements covered more than one ESG area.</p>	<p>L&G's 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. We believe that this is a sensible approach as it helps leverage on the size of total holdings to help drive change on any ESG issues.</p>
L&G World (ex UK) Equity Index Fund	<p>Total engagements: 1,589</p> <p>Environmental: 1,102</p> <p>Social: 314</p> <p>Governance: 137</p> <p>Other: 36</p> <p>Please note that the sum of the above categories is greater than the number of total engagements as some engagements covered more than one ESG area.</p>	<p>Details of L&G's engagement policies can be found on their website: Investment stewardship & governance L&G</p>
L&G UK Fixed Interest – All Stocks	<p>Please note, the manager does not produce a detailed breakdown of the engagement activity for fixed income funds.</p>	

Fund name	Engagement summary	Commentary
Aberdeen Life UK Mixed Bond Fund	The manager does not produce a detailed breakdown of engagement activity for the fund.	The manager's engagement approach is designed to comply with the UK Stewardship Code, the expectations set by the UN-backed Principles for Responsible Investment ("PRI"), the Taskforce for Climate-related Financial Disclosures ("TCFD") and many other relevant industry initiatives.

As the Scheme invests via fund managers the managers were asked to provide details on their engagements.

Voting

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
L&G UK Equity Index Fund	<p>Meetings eligible to vote for: 717</p> <p>Resolutions eligible to vote on: 10,134</p> <p>Resolutions voted on: 100.0%</p> <p>Resolutions voted with management: 93.8%</p> <p>Resolutions voted against management: 6.2%</p> <p>Resolutions abstained from: 0.0%</p>	<p>Currys Plc – L&G voted against a resolution to re-elect Ian Dyson as director following a lack of progress to improve gender diversity on the board. L&G expects companies to have at least 40% female representation on the board.</p> <p>Shell Plc – L&G voted against a resolution to approve the Shell energy transition strategy which places a greater focus on growing its gas and LNG business this decade. L&G are concerned with the revised Net Carbon Intensity ("NCI") targets as well as potential deviations from the transition to net-zero emissions by 2050.</p>	<p>L&G's Investment Stewardship team uses International Shareholder Services' ("ISS") 'Proxy Exchange' electronic voting platform to electronically vote in line with L&G's policies. All voting decisions are made by L&G, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with L&G's position on ESG, they put in place a custom voting policy with specific voting instructions.</p>
L&G World (ex UK) Equity Index Fund	<p>Meetings eligible to vote for: 2,810</p> <p>Resolutions eligible to vote on: 33,434</p> <p>Resolutions voted on: 99.7%</p> <p>Resolutions voted with management: 77.9%</p> <p>Resolutions voted against management: 21.8%</p> <p>Resolutions abstained from: 0.3%</p>	<p>Amazon.com, Inc – L&G voted for a resolution calling for a report on customer due diligence. This will allow greater transparency over material risks to human rights and the company's internal policies.</p> <p>Meta Platforms, Inc – L&G voted against a resolution to elect Peggy Alford as director. The reason for this is due to</p>	

Fund name	Voting summary	Examples of significant votes	Commentary
		L&G's stance on expecting companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	

Note: Totals may not sum due to rounding.

