James Fisher & Sons plc Pension Fund for Shore Staff

Implementation Report for the period 1 August 2022 to 31 July 2023

Background and Implementation Statement

Background

Environmental, Social and Governance (ESG) factors are recognised as financially material risks and schemes need to consider how these factors are managed as part of their fiduciary duty. The 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 SIP includes:

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

The current SIP can be found online at the web address

https://www.isio.com/scheme-documents/james-fisher-sons-plc-pension-fund-statement-of-investment-principle/

Implementation Report

The Implementation Report details:

- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- Changes to policies on ESG matters that have been made to the SIP over the period
- 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
- voting behaviour covering the reporting year up to 30 June 2023 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- Policies regarding voting and engagement were added to the SIP which are covered later in this report.

- The Scheme's LDI funds breached their upper leverage limits as yields rose over the period due to persistently high inflation. This led to Insight calling for capital contributions from the Scheme. The capital contributions brought the Funds' leverage limits back below their upper target levels. The capital was sourced from the Scheme's Global ABS Fund.

- Over Q1 2023, the Trustees reviewed the Scheme's asset allocation. Upon reviewing a formal recommendation paper produced by the Scheme's investment advisors, the Trustees' in consultation with the company agreed to rebalance the portfolio in Q2 2023 by disinvesting completely and gradually from the Partners Fund in three equal tranches.

- As a result, the Scheme disinvested a first tranche of c.£6m from The Partners Fund in April 2023 with funds settling in the Trustee Bank Account in September 2023. The disinvested funds were invested into the daily traded assets which will improve the Scheme's liquidity position and provide collateral to support the LDI mandate.

Over the reporting period, there were no changes to the Scheme's investment managers.

Implementation Statement

This report demonstrates that James Fisher and Sons plc Pension Fund for Shore Staff has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed Alison Creasy

For and on behalf of Capital Cranfield Pension Trustees Ltd, Chair of Trustees

Date 13 February 2024

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions
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 Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the mangers on an ongoing basis.	The ESG policy was reviewed and updated by the Trustees as part of the SIP in 2024. As the Scheme invests through pooled funds the Trustees have delegated the implementation of the ESG policy to the investment managers. The ESG credentials of the investment managers are routinely monitored against a scored framework by the Scheme's investment consultants. The Trustees are comfortable that the investment managers have complied with the policy set out in the SIP, as assessed by the investment advisor's ESG research process and shown by ratings in quarterly investment monitoring reports provided by the investment advisor and reviewed by the Trustees. The Trustees review the voting and engagement activities of the investment managers as presented in their implementation report (usually in Q1 each year). In Q1 2023, the Trustees queried engagement by Partners Group and received assurance from their investment consultants.

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Changes to the SIP

Following the year end of 31 July 2023, the following policies were added to the SIP

Voting Policy – How the Trustees expect investment managers to vote on their behalf	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Engagement Policy – How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
	• The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.
	• Example stewardship activities that the Trustees have considered are listed below.
	  ○ Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities
	  ○ Asset manager engagement and monitoring – the Trustees assess the voting and engagement activity of their asset managers periodically.

Engagement

As the Scheme invests via pooled fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 July 2023. Please see below for a summary relating to the Funds the Scheme had exposure to over this period.

Fund name	Engagement summary	Commentary
Insight - Enhanced Selection LDI Funds	Total engagements: 5 Number of entities engaged: 1 Please note that the above uses data for the 12 months prior to 30 June 2023 as it is the latest available to the reporting date of 31 July 2023.	Insight engages regularly with the UK Debt Management Office ("DMO") given Insight's large client base of UK pension schemes, who invest heavily in UK government bonds (gilts). For corporate bond and equity investments, engagement on climate-related issues is conducted by both the credit analysts and Responsible Investment Team (occasionally the portfolio managers). An example of significant engagement is: **UK Debt Management Office (DMO) –** The manager engages regularly with DMO. This engagement is aligned to Sustainable Development Goal 7 ("SDG7") Affordable and clean energy, SDG9 Industry, Innovation and infrastructure and SDG13 Climate Action. Insight raised several issues related to green gilt issuance and other sustainability topics. The DMO was encouraged to increase the frequency of impact reporting on green gilts from every two years to annually. DMO made clear that annual reporting is unlikely in the near term. DMO confirmed it was aware of the fiduciary duty issue with regards to challenges for institutional investors' allocation to green gilts before the issuance of green gilts. But given the success of the issuance, they did not view this uncertainty as a problem. The manager expects green gilts to remain the focus under the government's commitment to the Green Financing Programme (£10 billion in the financial year 2023-2024) as the DMO cited obstacles and the focus on liquidity with regards to their intentions to issues sustainability-linked bonds. The fund is permitted to hold green gilts and as at the Scheme year-end the funds held the 2053 green gilt.
Insight Asset-Backed Securities Fund	Total engagements: 75-100 Number of entities engaged: 75 Insight did not provide a split across the three categories: Environmental, Social and Governance. Please note that the above uses data for the 12 months prior to 30 June 2023 as it is the latest available to the reporting date of 31 July 2023	There is specialised expertise within the analyst team to analyse and underwrite the investments. An example of significant engagement is: **AFG –** AFG are a significant residential issuer within the Australian RMBS market and are most exposed to climate risk given recent events of flooding and wildfires. Insight queried as to how climate risk factors were incorporated into their loan book. Insight were informed that the issuer incorporates ESG and especially climate risk analysis into their underwriting practices which is not only a "nice to have" but a meaningful improvement

		on underwriting practices given physical climate risks in their domestic market. Following Insight's engagement, AFG will now consider (subject to market demand) issuing a green/social bond.
M&G Alpha Opportunities Fund	Total engagements: 5 Environmental: 2 Governance: 1 Social: 2 Please note that the above uses data for the 12 months prior to 30 June 2023 as it is the latest available to the reporting date of 31 July 2023	The manager has two approaches to the engagement programme: top-down and bottom-up. The top-down approach are thematic, proactive engagements on issues such as modern slavery within operations. The bottom-up approach focuses on company specific engagements such as company supply-chain structure. An example of significant engagement is: **Infineon Technologies** – As a wider update to understand how the company was tracking against its carbon reduction targets, the objective of M&G was to ask the German semiconductor maker Infineon to publish scope 3 targets and to have these, along with its scope 1 and 2 targets, validated by SBTi. This followed on from their engagement with the company last year. M&G also asked Infineon to make public its internal climate roadmap, highlighting the measurable milestones to achieving its strategy. For this purpose, M&G met with the company's head of corporate sustainability and business continuity, along with investor relations. The company said that publishing the internal roadmap should be achievable, and M&G will wait to see what format that takes. In terms of targets, Infineon aims to be carbon neutral by 2030, with a 70% reduction in scope 1 and 2 emissions by 2025 – The company said it was currently on track to achieve the 2025 target, primarily through energy efficiency measures and renewable energy contracts. The company publishes a good scope 3 inventory but does not currently have targets to reduce scope 3, which is around half its GHG emissions (and so needs to be included in SBTi targets). The company believes that others in the industry do not measure scope 3 to the same degree of detail that it does, and so their scope 3 targets are less onerous, so not operating on a level playing field. In saying that, there will be a board decision on this by the end of the year. M&G will await the results.
The Partners Fund	The Partners Fund did not provide a breakdown of engagement. Please note that the above uses data for the 12 months prior to 30 June 2023 as it is the latest available to the reporting date of 31 July 2023	Partners Group's representatives on the board of directors of a portfolio company collaborate with the Partners Group investment teams as well as the ESG & Sustainability team to formulate and implement ESG initiatives. An example of significant engagement is: **Fermaca** – Partners Fund controls the board of the company and has made progress across a number of ESG initiatives in 2022. For instance, in the environmental arena, Fermaca has reduced methane emissions in the entire system by 4.7% and maintained 90% survival of the 27,000 trees planted in 2020 as part of a reforestation effort. Elsewhere, Fermaca has implemented an environmental and social management system, which will allow for full compliance with the Equator Principles and Performance Standards of IFC. Currently, Fermaca is at 65% adoption across its system, against a target of 50%.

Partners Group Multi Asset Credit VI Fund	The Partners Fund did not provide a breakdown of engagement Please note that the above uses data for the 12 months prior to 30 June 2023 as it is the latest available to the reporting date of 31 July 2023	The Fund discusses Partners Group's commitment to ESG and ambition for the company with company management teams. Key ESG improvements are identified, and a strategy would be defined for the company. An example of significant engagement is: Schwind – ESG Margin Ratchet KPIs have been agreed with a focus on a) Greenhouse gas emissions; b) Gender ratio at company and board level; c) disclosure and a first reporting date was set for end of 2023. General Life – Several engagements with sponsor on the refinancing of the capital structure of the company. Partners Group supports General Life expansion with a new credit facility. The original debt exposure was fully repaid, and the new exposure is now with the expanded business.

Voting

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 30 June 2023. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
The Partners Fund	Meetings voted: 61 Votes cast: 877 Votes 'for' management: 807 Votes 'against' management: 44 Votes 'abstain': 26	**Confluent Health** Partners Group controls the board for the company. Confluent has an environmental impact assessment underway and has also engaged a third-party consultant to determine its greenhouse gas footprint. Meanwhile, Confluent has established a Diversity, Equity & Inclusion council, which is currently creating goals and roadmaps with a target to complete by the end of the third quarter of 2022. Thereafter, ownership of each initiative will be identified. Confluent has also expanded its stakeholder benefits program. For instance, in 2022, the company launched stock options for all physical therapists and made significant investments in benefits, including reduced Eligible Employee premiums and increased communication around its wellness programs.	

**Figures may not sum to the exact total number of votes cast due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*

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