

The International Personal Finance plc Pension Scheme

Annual Engagement Policy Implementation Statement – 2019/2020

1. Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee Directors (the "Trustee") has been followed during the year to 31 May 2020. 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 and the guidance published by the Pensions Regulator.

2. Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- i. To ensure the Scheme's obligations to its beneficiaries can be met;
- ii. To achieve an asset return above the return from bonds over the longer term, whilst recognising the need to balance risk and control return generation;
- iii. To pay due regard to the sponsoring company's interests in the size and incidence of employer contribution payments.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

3. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The policy was agreed in September 2019 and subsequently reviewed in September 2020.

In order to establish these beliefs and produce the policy, the Trustee undertook investment training provided by its investment consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This training was provided on 2 May 2019. Following this training, the Trustee considered its policy in this area and at the following Trustee meeting agreed to incorporate the policy into the SIP. The Trustee keeps the policy under review.

The following two sections report on the work that was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change, and set out how the Trustee's engagement and voting policies were followed and implemented during the year.

4. **Engagement**

- The Trustee has reviewed the compliance of their investment manager (Legal & General Investment Management “LGIM”) with the principles of the UK Stewardship Code as part of this statement and will continue to do so annually.
- LGIM confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories to the UK Stewardship Code 2020 that took effect on 1 January 2020.
- The Trustee will continue to engage with LGIM on the UK Stewardship Code and its relevance.
- LGIM’s performance report is reviewed by the Trustee on a quarterly basis – this includes updates on relevant ESG initiatives.
- When implementing a new mandate, the Trustee will consider how the investment manager integrates ESG into its investment process.
- The Trustee also received details of relevant engagement activity for the year from LGIM. This included:
 - Engaging with companies over the year on a wide range of different issues including Environmental, Social and Governance factors. This included engaging with companies on climate change to ensure that companies are making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those linked to the Paris Agreement).
 - Providing examples of instances in which they engaged with companies they are invested in or were about to invest in which resulted in positive outcomes. These engagement initiatives were driven mainly through regular engagement meetings with the companies that the manager invests in or by voting on key climate-related resolutions at companies’ Annual General Meetings. These resolutions were often co-filed by a number of investors who indicate their support for or opposition to the resolution to the company’s management.

5. **Voting Activity**

The Trustee has delegated their voting rights to LGIM. The Trustee does not use the direct services of a proxy voter.

LGIM provides voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustee to ensure that they align with the Trustee’s policy.

In 2019, the engagement policy and key voting activity carried out by the LGIM were as follows:

- LGIM directly engaged with 493 companies and undertook 739 engagements globally across the topics of climate change, remuneration, diversity, board composition and strategy.
- LGIM voted on 50,900 resolutions globally, as part of its strategy to encourage companies to improve their management of ESG issues, and did not use a third party to vote on its behalf;
- LGIM opposed the election of more than 4,000 company directors and opposed 35% of pay packages globally, on account of concerns over ESG practices. LGIM

opposed 15% of director-related shareholder resolutions globally over concerns over the suitability of directors;

- LGIM adheres to its internally developed Climate Impact Pledge, under which they assess, rank and track the ability of over 80 of the world's largest companies to withstand and benefit from the challenges of climate change.
- In 2019, LGIM took sanctions globally against 11 companies that failed to demonstrate sufficient action under this Climate Impact Pledge; actions included voting against the re-election of the board chairs and divesting from these companies from the LGIM funds;

6. **Outlook**

Over the prior 12 months, the Trustee has not actively challenged LGIM on its engagement and voting activity. Going forwards, the Trustee will be more active in reviewing and challenging LGIM in relation to engagement and voting activity, particularly in respect to its beliefs on climate change.

A representative of LGIM is invited to attend a meeting of the Trustee once a year. It is expected that, when this representative presents to the Trustee at future meetings, the Trustee will ask for highlights of LGIM's engagement and key voting activity and the impact of this on the Scheme's portfolio.

For and on behalf of the Trustee Directors of the International Personal Finance plc Pension Scheme

David Bowman, Chair of Trustees, November 2020