

## The UFJ Bank Limited (Tokai 1978) Pension and Life Assurance Scheme - Annual Engagement Policy Implementation Statement

### Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 5 June 2023. This statement has been produced in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and the guidance published by the Pensions Regulator.

### Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the Trustees have agreed objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustees' primary objectives are set out below;

- To ensure the Scheme's obligations to its beneficiaries can be met; and
- To ensure consistency between the Scheme's investment strategy and the return assumptions used by the Scheme Actuary.

Over the year to 5 June 2023, there were no changes to the strategic asset allocation of the Scheme.

### Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in March 2023 and the Trustees are comfortable that Mercer's investment beliefs around sustainability are consistent with theirs. The Trustees note that given that their investment strategy is focused on investing in gilts, Liability Driven Investment ('LDI') funds and cash, there is limited scope to integrate ESG, Stewardship and Climate Change considerations directly into their investment portfolio. In particular, the Scheme's low risk investment approach means that there are no voting rights and for the majority of the assets the issuer is the UK government. Given the overall investment strategy and the nature of the underlying investments, the Trustees currently do not take member views into account in the selection, retention and realisation of investments.

The remaining wording in this statement therefore highlights developments and analysis in this area, as discussed between Mercer and the Trustees. Such considerations would be relevant if the Scheme was to invest in different asset classes in the future.

- The Trustees utilise Mercer investment funds and these assets are managed by Mercer Global Investments Europe (“MGIE”) Limited.
- Mercer has a publically available Sustainability Policy<sup>1</sup>. This Policy was also updated in August 2022 to reflect enhancements made to Mercer’s stewardship approach including an introduction of Engagement Dashboards and Trackers, an enhanced UN Global Compact engagement and escalation process and a client engagement survey. Whilst not directly relevant to asset classes the Scheme invests in, the Trustees are satisfied that sustainability is an important part of the investment beliefs and process for Mercer.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone Engagement Policy<sup>2</sup> to specifically address the requirements of the directive. Again, whilst not directly relevant to the Scheme’s current investments, this policy may be reviewed from time-to-time by the Trustees.
- MGIE is a Tier 1 signatory to the UK Stewardship Code<sup>3</sup>. Mercer are also signatories to the UN-backed Principles for Responsible Investment (PRI)<sup>4</sup>. The current underlying investment manager to the gilt and LDI funds is also a Tier 1 signatory for the UK Stewardship Code and a signatory of the UN PRI.
- Consistent with its goal to place sustainability at the centre of its investment approach, Mercer has committed to a target of net-zero absolute carbon emissions by 2050 for relevant funds in its fiduciary discretionary portfolios in the UK and the majority of its multi-client funds domiciled in Ireland. To achieve this, Mercer plans to reduce portfolio relative carbon emissions by at least 45% from 2019 baseline levels by 2030. The commitment aligns with targeting a 1.5 degree Celsius limit on global temperature increases and the Paris Agreement’s ambitions.
- Where relevant, investment managers appointed by MGIE to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code, regardless of where they are domiciled. In addition, they are expected to monitor investee companies and to report on stewardship activities and outcomes on an annual basis, as set out in a publicly available Sustainable Investment Policy.
- If it is applicable, the Trustees will consider how ESG, climate change and stewardship is integrated within Mercer’s, and MGIE’s, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE is able to provide reporting to the Trustees on a regular basis on ESG integration progress, stewardship monitoring results, and climate-related metrics. Given that the majority of the Scheme’s assets are invested in UK Government Bonds (“Gilts”), much of this is

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<sup>1</sup> <https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Mercer%20ISE%20Sustainability%20Policy.pdf>

<sup>2</sup> <https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Mercer%20ISE%20Stewardship%20Policy.pdf>

<sup>3</sup> [https://media.frc.org.uk/documents/Mercer\\_Global\\_Investments\\_Europe\\_Limited.pdf](https://media.frc.org.uk/documents/Mercer_Global_Investments_Europe_Limited.pdf)

<sup>4</sup> <https://www.unpri.org/signatory-directory/mercer-fund-of-funds-manager/4857.article>

limited in practice for the Scheme's fund holdings, and such analysis was not necessary during the period.

- The Trustees are aware of the issuance of 'Green Gilts'. The Scheme holds a relatively small proportion of its assets in the 2053 Green Gilt, given its inclusion in the FTSE Over 15 Year Gilt Index, which is the index which is tracked by the UK Long Gilt fund. The Trustees will continue to monitor developments in this area in the coming years.

#### Stewardship monitoring

Over the year stewardship activities (such as voting) were not a relevant consideration for the Trustees and given the nature of the investments it is expected that there will be limited stewardship monitoring required by the Trustees or Mercer.