

# Nikon UK Limited Pension Scheme

## Implementation Statement

This implementation statement has been produced by the Trustees of the Nikon UK Limited Pension Scheme ("the Scheme") to set out the following information over the year to 5 April 2023:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- the voting activity undertaken by the Scheme's Investment Managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The engagement data is not given over the Scheme year end to 5 April 2023 because Investment Managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2023.

## How voting and engagement policies have been followed

Based on the information provided by the Scheme's Investment Manager, Legal & General Investment Management ("LGIM"), the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's Investment Manager.
- Annually the Trustees, with input from their Investment Consultant, receive and review voting information and engagement policies from their Investment Manager which we review to ensure alignment with our own policies.
- LGIM has confirmed that they are signatories to both the Financial Reporting Council's UK Stewardship Code 2012 and UK Stewardship Code 2020.
- Given the nature of the Scheme's current holdings, voting is not applicable (see further details below), however the Trustees are comfortable that the engagement of the Scheme's Investment Manager at an overall firm level is in alignment with the Scheme's stewardship policies.

## Stewardship policy

The Trustees' Statement of Investment Principles describes the Trustees stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in June 2022 and has been made available online here: <https://schemedocs.com/download/nikon-uk-statement-investment-principles.pdf>

There have been no changes to the Trustees stewardship policy over the year to 31 March 2023. The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme's Investment Manager.

At this time, the Trustee has not set stewardship priorities/themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

**Prepared by the Trustees of the Nikon UK Limited Pension Scheme  
September 2023**

## Voting Data

The Scheme currently invests in the LGIM Buy-out Aware Funds, which consist of LGIM's credit and liability driven investment ("LDI") funds. Voting is not applicable to these funds as they invest only in fixed income assets, which have no voting rights. Therefore, no voting data is presented for the purpose of this Implementation Statement.

## Firm level engagement

The Trustees consider it a part of their Investment Manager's role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Engagement activities are limited for the LDI holdings of LGIM's Buy-out Aware Funds due to the nature of the underlying holdings. The two main components of LDI are gilts and derivatives (including swaps). Given that the UK government has no human rights violations and has shown a willingness to engage on climate change issues, engagement is not a major concern when investing in gilts, however examples of engagement with the UK government have been provided below.

Derivatives are contracts which the scheme or LDI pooled fund will trade with banks and ESG factors can be applied to banks. However, choosing which bank to trade derivatives with is a distinctly different decision to deciding which bank to buy shares in, whereby ESG factors would be an important consideration. This is because the derivatives that the pension scheme or LDI fund holds are collateralised and/or centrally cleared which reduces the risk that if a bank defaults, there is an adverse effect on the scheme or LDI fund. Engagement therefore has a largely limited impact on the holdings.

LGIM provide engagement data at an overall firm level, rather than a fund level, and this is summarised below.

Manager	LGIM
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes
<b>Number of engagements undertaken at a firm level in the year</b>	1,088
<b>Number of companies engaged with at a firm level in the year</b>	950
<b>Examples of engagements undertaken with holdings in the fund</b>	Board composition, climate change, climate impact pledge, diversity, energy, public health, remuneration, strategy and water

Source: LGIM, as at 31 March 2023

## Examples of engagement activity undertaken over the year to 31 March 2023

In Q2 2022, LGIM continued to focus their engagement efforts on supporting the UK government in establishing a robust system of sustainable finance policy and regulation. LGIM noted previously that a crucial part of this is enhancing transparency across the market.

Within the UK, this means engaging with the development of the Sustainability Disclosure Regime (SDR) and the updating of the Green Finance Strategy and ensuring that the 'S' of 'ESG' is not overlooked. LGIM is helping to make sure these strategies and regulations are ambitious and appropriate, aligned with international commitments and standards, and that they accelerate the transition to a net-zero economy.

LGIM is part of a collaborative engagement on plastic pollution in the water system. The initiative is coordinated by First Sentier Investors and has a focus on strengthening corporate action and regulation to reduce microplastic pollution. LGIM will continue to engage on a policy and regulatory front, in line with our support for the UN Global Treaty on Plastic Pollution.

In May 2022, LGIM submitted a comment letter in support of the US Securities and Exchange Commission's (SEC) proposed rule, 'Enhancement and Standardization of Climate-Related Disclosures for Investors'. This rule seeks to improve existing disclosures on climate-related risks that could have 'a material impact on a business, results of operations, or financial condition'. LGIM complemented our regulatory comment with a public op-ed in Barron's, reiterating our support. Directionally, they believe the proposed rules represent a significant step forward in harmonising the existing set of disparate disclosure practices currently in the marketplace, and in fostering the publication of comparable and decision-useful data from our portfolio companies.

Strengthening their commitments to deforestation, they co-signed three letters to the relevant federal and state authorities in support of newly introduced legislation to curb imported deforestation in the US. The letters are in support of the Federal FOREST Act, the New York Deforestation-Free Procurement Act, and the California Deforestation-Free Procurement Act.