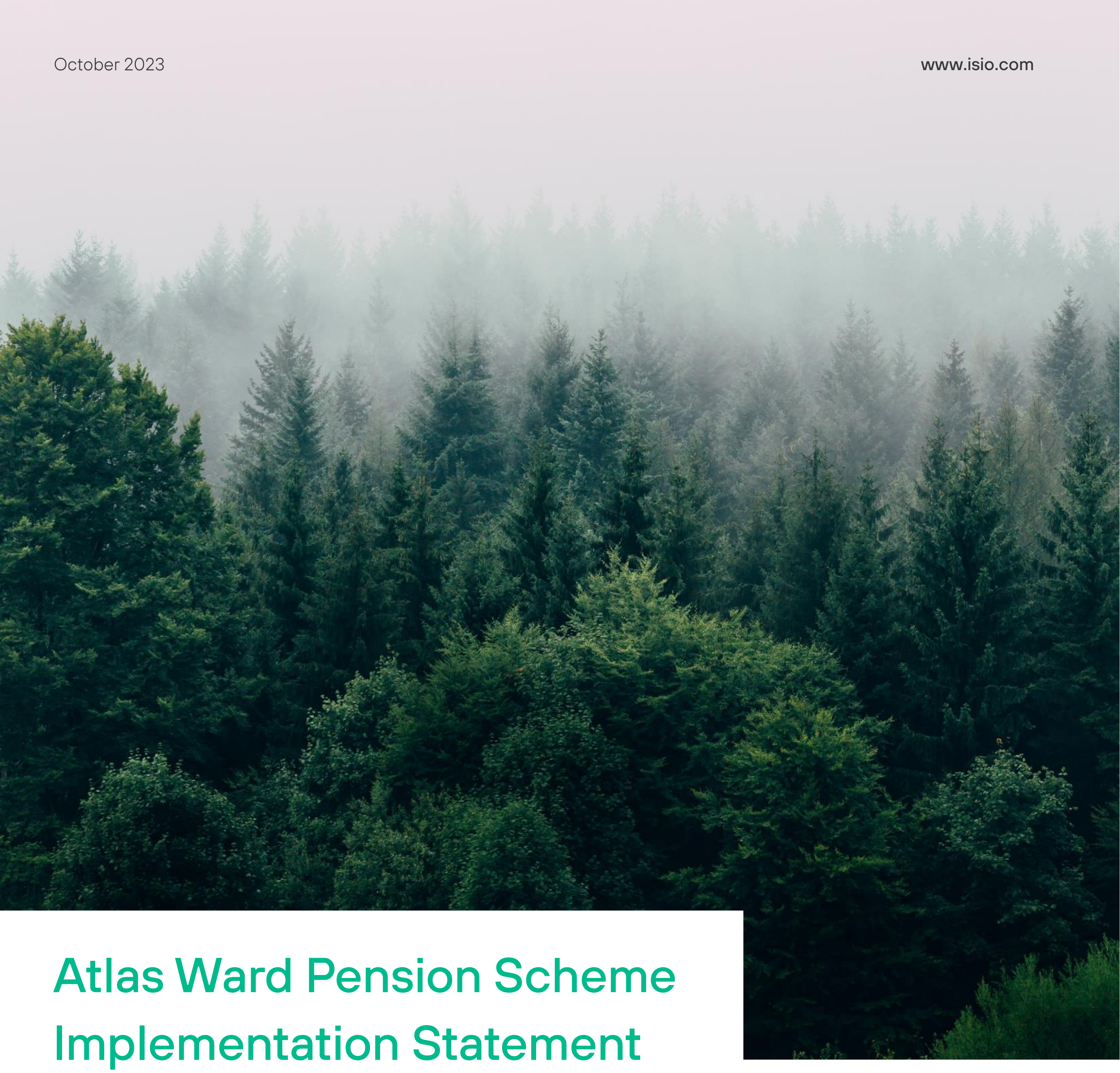

Atlas Ward Pension Scheme Implementation Statement

October 2023

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Background and Implementation Statement

Background

The regulatory landscape continues to evolve as 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 Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address Atlas Ward Pension Scheme SIP 2023. Changes to the SIP are detailed on the following page.

The Implementation Report 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
- voting behaviour covering the reporting year up to 31 March 2023 (due to availability of information) 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

The Trustees made no significant changes to the investment strategy during the year ending 5 April 2023.

Political and economic news in the UK at the end of September 2022 caused a significant rise in UK Gilt yields. The rise in yields resulted in the need to raise liquidity to meet collateral calls in the Scheme's LDI portfolio. Over the period, c.£5.9m was transferred to the LDI mandate to meet capital calls and act as future collateral. This was sourced from a combination of the Trustee Bank Account, Newton and M&G.

However, the Trustee's agreed to not meet all of the capital calls in order to maintain a sufficient level of collateral to protect the remaining hedging exposure and as such, the Scheme's interest rate and inflation hedge ratios were reduced through Q3 and Q4 2022.

Implementation Statement

This report demonstrates that Atlas Ward Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Adopted by the Trustees of the Atlas Ward Pension Scheme

October 2023

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustee's are currently reviewing the Scheme's investment strategy as a result of a reduction in the hedging levels during Q3/Q4 2022.	To manage interest rate and inflation risk, the Scheme has an LDI mandate in place. This mandate is monitored on an ongoing basis with a more detailed review periodically such as in conjunction with the Triennial Actuarial Valuation.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Scheme maintains a 45% target allocation to the Newton Real Return Fund (Diversified Growth Fund), which is a liquid asset (the Fund is daily dealt). Following the events of Q3/Q4 2022, the Trustee's also have a small allocation to a Cash Fund in order to provide additional collateral support for the LDI mandate.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Scheme's investment strategy, which was updated in 2019, is monitored on an ongoing basis as part of regular performance reporting and will be reviewed alongside the upcoming Triennial Actuarial Valuation. The investment strategy aims to reduce interest rate/inflation risk and increase diversification, thus managing market risk more effectively.

Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	As at 5 April 2023. c.16% of total Scheme assets are invested with the M&G Alpha Opportunities Fund (Absolute Return Bonds). M&G invest in both public and private credit and a range of different credit instruments
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 criteria: 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 6. UK Stewardship Code signatory The Trustees monitor the managers on an ongoing basis.	More details of the ESG policy and how it was implemented are presented in Page 7 of this report.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest largely in GBP share classes where possible to eliminate direct currency risk.	All the Scheme's investments are in GBP share classes.

Changes to the SIP

Over the period to 5 April 2023, the Trustee made changes to the SIP to reflect the fact that the current asset allocation has materially deviated from its strategic target allocation as a result of the heightened volatility, in particular within the gilt market, which caused the Trustee to take several actions, such as making redemptions from non-LDI mandates in order to provide collateral to support the LDI mandate.

The Trustee will review the investment strategy alongside the upcoming triennial Actuarial Valuation and hence a new strategic benchmark will be agreed, and the SIP updated, following the conclusion of these discussions.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Schemes policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG polices. This page details the Scheme's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Risk Management	1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee
Approach / Framework	3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge. 8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

Engagement

As the Scheme invests via 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 March 2023 (rather than 5 April 2023 due to availability of data).

Fund name	Engagement summary	Commentary
LGIM LDI Funds	LGIM has continued to engage with a number of industry participants on long term strategic issues in relation to LDI.	LGIM leverages the wider capabilities of the global firm to engage with companies. The team also regularly engages with regulators, governments, and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. LGIM's Investment Stewardship team are responsible for engagement activities across all funds.
Standard Life Pooled Property	Standard life remains in dialogue with all occupiers on ESG related matters. However, due to the fund being a direct real estate investment, engagement data is not applicable.	Due to the nature of most of the leases within a Pooled Property Fund, Standard Life can only engage with the tenants of the assets which are held in the Fund, and their overall influence as a landlord is limited. They maintain dialogue with all occupiers, and as part of this ESG-related behaviours are encouraged. .
M&G Alpha Opportunities Fund	Total Engagements: 11 Environmental: 5 Social: 4 Governance: 2	M&G's activities are consistent with their ESG policies, and they have a systematic approach around engagements in which specific objectives are outlined in advance and measured based on the outcomes from the engagements. Examples of significant engagements include: ArcelorMittal – M&G engaged with ArcelorMittal on climate change related issues. M&G asked the international steelmaking company to commit to a short-term carbon reduction target. Following engagements with the CFO and head of IR,

		ArcelorMittal committed to clear carbon reduction targets by 2030 and to be carbon neutral by 2050. Given ongoing projects in the EU between member states and Brussels, a 2025 target would be unrealistic at this stage. Duke Energy Corp – As part of the ongoing M&G Coal Engagements, M&G held a call with the investor relations team to ask the company to disclose a phase out plan to exit coal by 2030. The company published their ESG report in April 2023 and continued to demonstrate positive progress and intent, however, the 2030 date is understandably not achievable. As such, M&G committee will need to decide if they are comfortable with an extension to the 2030 deadline. NewRiver REIT PLC – M&G engaged with NewRiver at the start of the year with regards to their voting policy and the objective to encourage greater diversity and inclusion practices throughout the organisation. M&G met with the CEO, COO and Company Secretary. NewRiver is a very small company who has recently fallen out of the FTSE 350, making it challenging to set targets on diversity. However, diversity is something they are actively considering, for example, they voluntarily sent an inclusion survey to all staff in 2022 which was independently reviewed and produced a gender pay gap report. M&G are therefore happy with the progress that has been made but will continue to monitor the situation.
BNYM (Newton) Real Return Fund	Total Engagements: 48 Environmental: 34 Social: 19 Governance: 17 Strategy: 22 Note: The above breakdown of engagements does not sum to the total number of engagements due to most engagements incorporating a number of themes.	Newton has a clear due diligence and engagement framework in place and a track record of engaging with companies to encourage disclosure of ESG factors. Examples of significant engagements include: Universal Music Group – Newton met with the company to provide feedback on its remuneration and corporate governance framework ahead of its AGM. They highlighted their concerns with the CEO's bonus, which equates to 1% of the company's EBITA, thus not incentivising or rewarding performance. Newton also raised concerns regarding disclosures on remuneration. The company was receptive of Newtons suggestions for improvements, and they expect to see better disclosures over the next year.

		Shell – Newton engaged with shell with regards to the credibility of its transition plan, more specifically their disclosures and targets. For example, they have not set an absolute target for Scope 3 emissions and their energy mix changes and reduction remain slower than their peers. Following the engagement, Newton remain concerned with Shells approach, notably their lack of intention to set an absolute Scope 3 emissions reduction target which Newton see as key to giving credibility to their transition plan. Newton also encouraged Shell to increase its capex commitment as at present, it remains low compared to their peers and insufficient. Given the continued discontent, Newton will continue to encourage the company to increase its investment in energy transition activities.

Voting

As the Scheme invests via pooled funds managed by external fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year to 31 March 2023 (rather than 5 April 2023 due to availability of data). The managers also provided examples of any significant votes. Please note, this is only applicable to the Newton Real Return Fund.

Fund name	Voting summary	Examples of most significant votes	Commentary
BNYM (Newton) Real Return Fund	Meetings eligible to vote at: 78 Resolutions eligible to vote on: 1,287 % Resolutions voted on which they were eligible: 100% % Voted with management: 89.2% % Voted against management: 10.8%	Examples of significant votes include: Universal Music Group NV – Voted against a resolution in the relation to executive officers' compensation. Newton voted against the executive remuneration as a result of the inadequate information provided and the expectation of better disclosures and a more traditional performance-based pay structure going forward. ConocoPhillips – Voted in favour of the shareholder resolution in proposing that the company report on GHG targets, most notably Scope 3 emissions across the value chain. Informa Plc – Voted against the management in a resolution to approve the remuneration report owing to the proposed CEO pay increase despite the poor TSR performance. In addition, a significant portion of the pay-outs is driven by the committee's discretion, and this coupled with the bonus opportunity being very high exacerbates their concerns.	Newton publicly discloses all their responsible investment activities relating to voting and any potential conflict of interest which could arise. In the event of a conflict of interest the recommendation of the voting service provider will take precedence. Newton utilises Institutional Shareholder Services ("ISS") for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings.

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