



# Matthew Algie & Co Limited Pension & Assurance Scheme Implementation Report

May 2023

# 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 [Statement of Investment Principles](#). 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; and
- voting behaviour covering the reporting year up to 31 December 2022 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's reporting year

The Trustee agreed to a number of strategic over the year in response to changing market conditions. These changes have been summarised below:

- Restructuring the Scheme's liability hedge: The Trustees reviewed the Scheme's liability hedging portfolio in March 2022 to determine the position of the current liability hedge, and whether the existing target remained appropriate. Given the deviation from the liability hedging target (72% on a Gilts Flat basis), Isio proposed that a revised hedging target (on the Technical Provisions basis) should be considered as part of upcoming strategy work. Subsequently, following significant gilt market volatility in September and October 2022, the Trustees agreed to reduce the target hedge in respect of both interest rates and inflation. This action was taken to ease liquidity pressures on the Scheme. As markets settled somewhat in the latter half of October, the Trustee agreed to rebalance the hedge to c.70% (on the Technical Provisions basis), with the trade being completed in early November.
- JPM & CQS Disinvestment: Following the significant volatility in gilt yields over September and October 2022, the Trustee agreed to redeem the Scheme's holdings in the JP Morgan Unconstrained Bond Fund and CQS Credit Multi-Asset ("CMA") Fund over Q4. The proceeds from the JP Morgan Fund were invested in the LGIM Diversified Growth Fund to provide a buffer against further yield

movements. The proceeds from CQS settled in mid-December and were invested in the JP Morgan mandate to boost the Scheme's available invested liquid assets. The Trustee reviewed the Scheme's investment strategy post reporting year-end and considered the future direction of travel following the significant portfolio movements in 2022.

- Partners Group Drawdowns: On 5 March 2020 the Trustee agreed to commit 12% of the Scheme's assets (c.£2.5m) to Partners Group's new Direct Lending Fund, which began fundraising in October 2020. The Fund continued to call capital over the reporting year (c.75% of the commitment called to 31 December 2022). The capital call payments over the year were funded from a combination of the Trustee bank account, LGIM Active Corporate Bonds – All Stocks Fund and JPM Unconstrained Bond Fund.

#### Implementation Statement

This report demonstrates that the Trustee of the Matthew Algie & Co Limited Pension & Assurance Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed:

Position:

Date:

# Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.72% of the impact of interest rate and inflation movements on the value of the Scheme's liabilities (measured on a flat gilts basis).	<p>The Trustee monitors the Scheme's hedging level every 6 months within its regular reporting.</p> <p>Following significant gilt market volatility over September and October 2022, the Trustee agreed to reduce the liability hedge in the short-term to ease liquidity pressures.</p> <p>Post reporting year-end, the Trustee considered alternative investment strategies, including a revised liability hedging target. This will be reflected in the next SIP update.</p>
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.	<p>The Trustee monitors the Scheme's liquidity position as part of its quarterly performance reporting.</p> <p>Following significant volatility in gilt markets over September and October 2022, the Trustee took action to increase the Scheme's liquidity and manage overall liquidity pressures within the Scheme. This included fully redeeming the Scheme's allocation to CQS.</p>

			These changes will be reflected in the next SIP update.
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.	<p>The Trustee agreed to a number of strategic changes post reporting year-end to better align the strategy with the Scheme's agreed long-term objective, and in response to changing market conditions.</p> <p>These changes will be reflected in the next SIP update.</p>
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>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.</p>	<p>In response to market movements over 2022, the Trustee agreed to sell down the JPM and CQS allocations to meet LDI collateral requirements. The Scheme's credit allocation was considered as part of the investment strategy review post reporting year-end.</p> <p>These changes will be reflected in the next SIP update.</p>
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.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> </ol>	<p>The Trustee reviewed the ESG policies of the Scheme's underlying investment managers in May 2023, in the form of an 'impact assessment'.</p> <p>In line with recent regulatory requirements, the Trustee will include their voting and engagement policy within the next SIP update.</p>

		<p>4. ESG specific reporting</p> <p>5. UN PRI Signatory (or equivalent)</p> <p>The Trustee monitors the managers on an ongoing basis.</p> <p>The Trustee considers ESG issues as part of the investment process, and believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.</p>	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<p>Hedge all currency risk on all assets that deliver a return through contractual income.</p> <p>Hedge 50% of currency risk on equities.</p>	No Trustee actions or amendments were implemented over the reporting period in respect of currency risk.
Non-financial	The views of the members including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No Trustee actions or amendments were implemented over the reporting period in respect of non-financial risks.

# Changes to the SIP

Policies added to the SIP

Date updated: September 2020

There were no changes to the SIP over the 12 month period.

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# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Scheme's policy with regard to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

### Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"><li>The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues (including those concerning capital structure and conflicts of interest).</li><li>The Trustee receives information from their investment adviser on the investment managers' approaches to engagement.</li></ul>	<ul style="list-style-type: none"><li>The investment manager has not acted in accordance with their policies and frameworks.</li><li>The manager's policies are not in line with the Trustee's policies in this area.</li></ul>



# ESG summary and actions with the investment managers

Manager, fund	ESG Summary	Actions identified	Engagement with manager commentary
LGIM Equity Fund range (passive)	LGIM employs a dedicated and experienced ESG team to assess and engage with companies on key ESG issues. LGIM are leaders in promoting ESG through industry-wide collaboration focused on climate-related topics. However, within LGIM's passive equity index range, there is limited scope to adapt the investment approach to ESG matters.	<ul style="list-style-type: none"> <li>• LGIM should consider reporting on fund level coverage of greenhouse gas emissions.</li> <li>• LGIM should consider including social and governance metrics in the future ESG quarterly reports.</li> </ul>	Isio engaged with LGIM on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the Trustee with updates on LGIM engagements.
LGIM Diversified Fund	LGIM demonstrate a strong approach to ESG and voting/engagement at a firm-level, with clearly identified firm-wide sustainability goals and a dedicated engagement team.	<ul style="list-style-type: none"> <li>• LGIM should continue to expand reporting capabilities over time to meet TCFD requirements.</li> </ul>	Isio engaged with LGIM on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the Trustee with updates on LGIM engagements.
Partners Group ("PG") Private Market Credit Strategies ('PMCS') 2020 Fund	PG are a leader in the private debt space in terms of their collaboration with other industry participants in relation to ESG and they have an established ESG and Sustainability team. However, PG are lagging their peers across a number of areas, primarily reporting, which has resulted in a 'Partially Meets Criteria' ESG rating from Isio.	<ul style="list-style-type: none"> <li>• PG should identify fund-level ESG targets.</li> <li>• PG should provide diversity report and improve diversity reporting metrics.</li> <li>• PG should adopt engagement targets and include engagement information in quarterly reporting.</li> <li>• PG should report on TCFD climate change metrics and incorporate ESG metrics into quarterly reports.</li> </ul>	Isio engaged with Partners Group on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the Trustee with updates on the Partners Group engagements.
LGIM LPI Income Property Fund	LGIM have a clear process in place whereby ESG considerations form an integral part of their asset selection and composition of the portfolio. Collaboration with the wider market is a key strength for LGIM as it uses	<ul style="list-style-type: none"> <li>• LGIM should implement a clear social policy and social objectives for the Fund.</li> <li>• LGIM should show how ESG fits into their investment process (via adoption of a scorecard).</li> </ul>	Isio engaged with LGIM on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the Trustee with updates on LGIM engagements.

	<p>active engagement in working groups to allow the Fund to further its position in relation to its ESG objectives.</p>	<ul style="list-style-type: none"> <li>• LGIM should incorporate an engagement summary as part of their standard reporting.</li> </ul>	
<p>JP Morgan Unconstrained Bond Fund</p>	<p>JPM have an investment stewardship team which manages engagements and are able to provide engagement evidence in line with firm-level stewardship priorities. JPM's ESG policies are integrated at a fund-level, however the Fund still lacks specific ESG objectives and priorities. Although ESG reporting has improved over the past 12 months, we would like to see improvements in the reporting of fund-specific engagements.</p>	<ul style="list-style-type: none"> <li>• JPM should implement fund-level ESG targets and objectives.</li> <li>• JPM should introduce a fund-level ESG scorecard across all sub-asset classes and update this at regular intervals (at least annually).</li> <li>• JPM should improve tracking and reporting of Fund engagements and consider introducing engagement targets.</li> <li>• JPM should introduce and track social metrics as part of ESG reporting.</li> <li>• JPM should set a clear temperature pathway with climate objectives.</li> </ul>	<p>Isio engaged with JPM on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the Trustee with updates on JPM engagements.</p>
<p>LGIM LDI &amp; Gilts</p>	<p>LGIM have evidenced their ability to integrate ESG factors in their LDI fund range through counterparty review and engagement, as well as strong commitments to net zero and the decarbonisation framework. LGIM's ESG approach brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities embedded within each company.</p>	<ul style="list-style-type: none"> <li>• LGIM should include enhanced ESG counterparty reporting in regular client reporting of LDI Funds.</li> </ul>	<p>Isio engaged with LGIM on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the Trustee with updates on LGIM engagements.</p>

# 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 December 2022.

Fund name	Engagement summary	Commentary
LGIM Equity Fund range (passive) <sup>1</sup>	Total Engagements: 679	<p>LGIM currently do not provide examples of their engagement activities at fund-level.</p> <p>LGIM’s Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p>
	Environmental: 341	
	Social: 104	
	Governance: 191	
	Other: 43	
LGIM Diversified Fund <sup>1</sup>	Total Engagements: 947	
	Environmental: 444	
	Social: 140	
	Governance: 266	
	Other: 97	
Partners Group PMCS 2020 Fund	Total engagements: 4	<p>Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as lenders they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks.</p> <p>Examples of significant engagements include:</p> <p>Fisher Funds – Partners Group engaged with the Company several times regarding the refinancing of the capital structure of the Company. Following the engagement Partners Group provided the company with funds to help implement the new structure.</p> <p>Ligentia - Partners Group engaged with the Company about an add-on investment with ESG margin ratchet. The manager was involved in discussions with the Sponsor and Company on the inclusion of sustainability-linked loan terms for the financing of the new investment. The exact terms of the ESG margin ratchet are currently being agreed on.</p>
	ESG: 2	
	Corporate: 2	

<p>LGIM LPI Income Property Fund</p>	<p>LGIM currently do not provide details of their engagement activities for the LPI Income Property Fund.</p> <p>Isio remains in contact with LGIM surrounding the firm's engagement reporting.</p>	<p>Due to the nature of most of the leases within the LPI Fund, LGIM can only engage with the tenants of the assets which are held in the Fund. LGIM have a targeted tenant engagement programme for all assets. This process is incorporated in their green lease clauses, which they try to place into every new lease.</p> <p>LGIM are enhancing their level of interaction with tenants by engaging with them as far as possible on operational aspects of the buildings. LGIM believe that by fostering closer relationships with tenants, they can influence them to use the buildings in a more efficient and sustainable manner.</p> <p>As part of establishing their net zero strategy and roadmap, LGIM have also been developing an Occupier Engagement Handbook to address how they can more effectively engage with occupiers to reduce energy and emissions (Scope 3) that are not in LGIM's control and are a critical part of their net zero carbon targets.</p>
<p>JP Morgan Unconstrained Bond Fund</p>	<p>Total Engagements: 362</p> <p>Environmental: 106</p> <p>Social: 153</p> <p>Governance: 103</p>	<p>JP Morgan's engagement activities are formed as part of their Stewardship model, in which investment professionals liaise with Stewardship specialists on a global scale. The engagements included within their report span beyond fixed income, given the scale of the strategy's holdings and global dialogue with investee companies.</p> <p>Examples of significant engagement:</p> <p>TotalEnergies – JP Morgan sent a letter to the Chairman of the Board at TotalEnergies outlining recommended actions around climate change risk, including expectations for the companies greenhouse gas (GHG) emission reporting, methane emissions reduction targets and how the business model may change when moving towards a net zero emissions economy. As a result of such engagement, the Company was made aware of needed improvements in their disclosures/reporting, such as providing GHG emissions reports on non-operated assets and publishing the methane emissions data. The Company has made tangible steps since and JP Morgan will continue to monitor their progress.</p> <p>Amazon – JP Morgan engaged with the Company on their warehouse working conditions, which was followed by a shareholder proposal to commission a third-party audit. The Company was requested to disclose workplace injury data and provide an update on how they are improving ergonomics of warehouse working conditions. In response</p>

		<p>to this, Amazon has published a report showing recordable injury rate and lost time incident rate and noted an improvement in the latter. However, JP Morgan noted the Company's significantly higher injury rate in the US, as well as their lack of transparency in hiring practices. JP Morgan believes the reporting should continue to evolve, providing shareholders and stakeholders with adequate information to assess risk and remediation efforts.</p>
<p>LGIM LDI &amp; Gilts<sup>1</sup></p>	<p>Total Engagements: 34</p> <p>Environmental: 16</p> <p>Social: 2</p> <p>Governance: 15</p> <p>Other: 1</p> <p>*Engagement data based on one LDI Fund and is representative of the engagement across the LDI portfolio.</p>	<p>LGIM has engaged with a number of industry participants on long term strategic issues in relation to LDI, including:</p> <ul style="list-style-type: none"> <li>• Diversity</li> <li>• Climate Change</li> <li>• Board Composition</li> <li>• Remuneration</li> <li>• Strategy</li> <li>• Nominations and Succession</li> <li>• Risk Management</li> <li>• Capital management</li> </ul> <p>LGIM also assess counterparty banks from an ESG perspective through their proprietary ESG tools.</p> <p>LGIM have not provided examples of Fund-specific significant engagements.</p>

Notes: <sup>1</sup> For some managers, total engagements do not sum up, as a number of engagements are related to a combination of L and G issues.

# Voting (for equity/multi asset funds only)

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 31 December 2022. The Trustee has adopted the managers definition of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM World Equity Index Fund	<p>Meetings eligible to vote for: 3,113</p> <p>Resolutions eligible to vote for: 38,295</p> <p>Resolutions voted on: 99.8%</p> <p>Resolutions voted with management: 78.9%</p> <p>Resolutions voted against management: 20.4%</p> <p>Resolutions abstained from: 0.7%</p>	<p>Apple Inc – Date: 04/03/2022 The Trustees consider this to be a significant vote as it relates to LGIM's policies on diversity and inclusion. LGIM voted in favour of a resolution proposing a Report on Civil Rights Audit. LGIM voted in favour of the resolution as part of their commitment to improving diversity and inclusion policies across portfolio companies. LGIM view diversity and inclusion as a material risk and as such will continue to support resolutions on this theme,</p> <p>Alphabet Inc. – Date: 01/06/2022 The Trustees consider this to be a significant vote given it</p>	<p>LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.</p> <p>LGIM use Institutional Shareholder Services (ISS) electronic voting platform to electronically vote clients' shares and</p>

LGIM World Equity Index Fund (GBP Hedged)

aligns with LGIM’s climate related engagement policies. LGIM voted in support of the production of a Report on the Physical Risks of Climate Change. LGIM voted in favour of the resolution as they expect companies to be acting on the topic of climate change. LGIM will continue to engage with the company on climate-related issues despite the outcome of the resolution being against the production of the report.

also use ISS recommendations to augment their own research and assessment, however all voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.

LGIM Diversified Fund

Meetings eligible to vote for: 9,567

Resolutions eligible to vote for: 98,795

Resolutions voted for: 99.8%

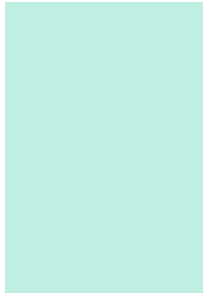
Resolutions voted with management: 77.4%

Resolutions voted against management: 21.9%

Resolutions abstained from: 0.7%

Meta Platforms, Inc –  
Date: 25/05/2022  
The Trustees consider this to be a significant vote as relates to LGIM’s policy advocating for the separation of the CEO and Board Chair roles. LGIM voted in favour of a resolution requiring the company have an independent Board Chair. LGIM do not support companies in which the roles of CEO and Board chair are shared by the same individual. LGIM believe that, for appropriate risk management and oversight purposes, these roles need to be separated. LGIM will continue to advocate for this position and engage with investee companies on the matter.

Norfolk Southern Corporation –  
Date: 12/05/2022  
The Trustees consider this a significant vote given the importance LGIM place on diversity. LGIM voted against the election of a Director to the Board. LGIM expects c.25% of Board members to be women and are aiming to achieve a



minimum of 30% by 2030. As such, a vote against was applied to align with the goal of achieving a diverse board. LGIM considers diversity a financially material issue and will continue to engage with companies in support of this topic.

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