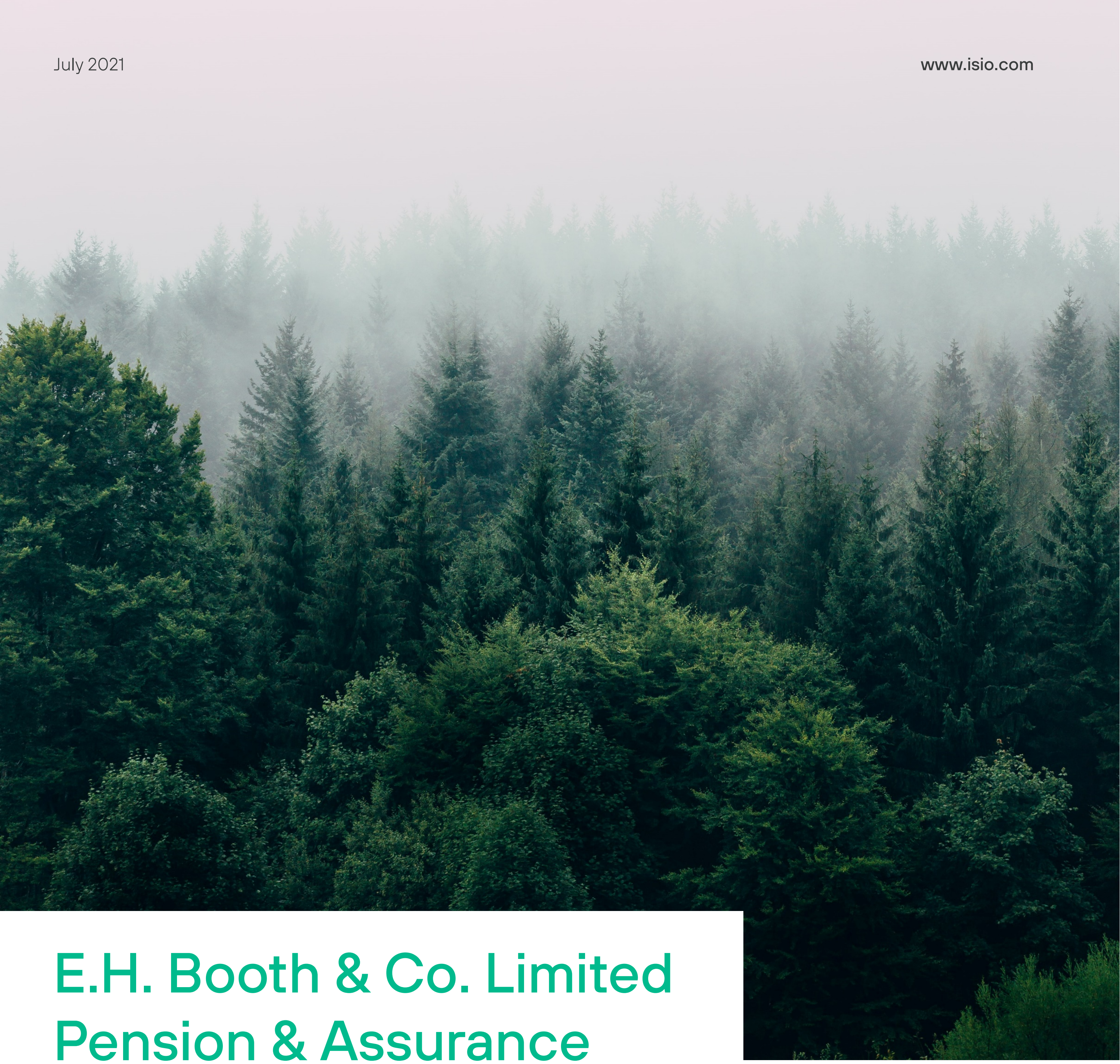

E.H. Booth & Co. Limited Pension & Assurance Scheme Implementation Report

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Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Scheme updated its SIP in September 2020 in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address www.booths.co.uk/wp-content/uploads/EH-Booth-SIP-2020-with-date.pdf.

The changes made to the SIP were detailed in the Scheme's previous implementation statement however, given these changes occurred in the 12 months to 5 April 2021, we have included these for completeness.

Implementation Report

This Implementation Report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in their 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 Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest,
- voting behaviour covering the reporting year up to 5 April 2021 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

- Over the second half of 2020, the Scheme moved to a new investment strategy which included the introduction of three new mandates: Partners Group MAC VI, Apollo Accord and Insight Global Asset-Backed Securities. These new investments were funded using proceeds from a full redemption from PIMCO Absolute Return Bonds and partial disinvestments from the Scheme's two M&G funds.

- A total of c.£2.1m (out of a total commitment of £7m) was drawn down into a new Partners Group mandate as at 5 April 2021.

- The Partners Group MAC 2016 mandate distributed a total of c.£1.7m over the 12 months to 5 April 2021.

- In February 2021, Insight called an additional c.£5.4m of capital into the LDI funds due to a rise in gilt yields. The capital was sourced from the Insight ABS mandate.

- Post year end (April 2021) the Scheme invested in a buy-in policy with Aviva. This was implemented to hedge a portion of the Scheme's liabilities and was funded from disinvestments from the Scheme's Insight LDI and ABS fund holdings.

Implementation Statement

This report demonstrates that the E.H. Booth & Co. Limited Pension & Assurance Scheme has adhered to its investment principles and its policies for managing financially material considerations 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 assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge above 90% of these risks on a Self-Sufficiency basis.	The Trustees transferred cash from the ABS mandate to the LDI funds in March 2021 to meet an LDI capital call. This ensured the Scheme's high levels of interest rate and inflation hedging were maintained.
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.	No actions to report – the Scheme maintains a sufficient allocation to daily traded assets to meet cashflow needs.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where affordable and practicable.	In Q2 2020, the Trustees investigated investment opportunities that developed as a result of the volatile market environment in March and April 2020 caused by the outbreak of Covid-19. The Trustees invested in one of these opportunities, contingent capital. The Trustees also invested in a new direct lending mandate with Partners Group and a new ABS mandate with Insight.
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	No actions to report – the Scheme's credit mandates are diversified by sector, location and sub asset class.

		available sufficiently compensates the Scheme for the risk of default.	
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 The Trustees monitor the managers on an ongoing basis.	No actions to report – As part of the change in strategy in H2 2020, ESG factors were considered alongside other criteria in the Trustee's decision to invest in the Direct Lending, Contingent Capital and Liquid ABS mandates.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	No actions to report – all mandates are GDP denominated. All currency exposure is therefore hedged by the managers.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No actions to report.

Changes to the SIP

Policies added to the SIP	
Date updated: September 2020	
Investment Objective:	• The Scheme's present investment return objective to achieve a return sufficient to be 100% funded on a Self-Sufficiency basis by 2023-2028 (Self-Sufficiency is defined as the value of the liabilities discounted using a yield of gilts + 0.3% p.a.).
Timescale	• By 2023-2028
Investment Mandates	• All decisions about the day-to-day management of the assets are delegated to the fund manager via a written agreement. This delegation includes decisions about: Undertaking engagement activities with investee companies and other stakeholders, where appropriate.
How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective. • The Scheme's mandates with Apollo and Partners Group (Private Markets) are subject to a performance related fee.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees monitor the investment managers' engagement and voting activity on a periodic basis as part of their ESG monitoring process. • The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.

How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.	• The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed periodically to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers.	• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in: • For closed ended funds or funds with a lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees objectives and Scheme's liquidity requirements. • For open ended funds, the duration is flexible, and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

Manager	Fund Name	Mandate	Benchmark	Target Outperformance (p.a.)	Fee (p.a.)
Insight	Insight Global ABS Fund	Asset Backed Securities	3 Month LIBOR	+ 1.5%	0.45%
Apollo Global Management	Apollo Accord Fund	Contingent Capital	3 Month LIBOR	+ 4%	0.75% management fee. Performance fee of 15.0% over a 5.0% hurdle.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following page outlines the Trustee's investment adviser's assessment criteria as well as the ESG beliefs used in evaluating the Scheme's managers' ESG policies and procedures. 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 Trustees intend 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 and engagement activity	• The Trustees' investment managers provide reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment advisers on the investment managers' approaches to engagement.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustees' policies in this area.

Areas of assessment and ESG beliefs

Risk Management	1. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustees. 2. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.
Approach / Framework	3. The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities. 4. The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will allocate to these sectors. 5. The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.
Voting & Engagement	6. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors. 7. The Trustees believe that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance. 8. The Trustees want to understand the impact of voting & engagement activity within their investment mandates.
Reporting & Monitoring	9. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge. 10. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.
Collaboration	11. Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD. 12. The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues.

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 months to 5 April 2021.

Fund name	Engagement summary	Commentary
Insight LDI	Total engagements: 16 Social: 2 Governance: 13 Environmental, Social, Governance: 1	We note that Insight's ability to influence ESG factors in relation to LDI is limited as an investor, but we are comforted by Insight's commitment to ESG through their business level ESG priorities while also being a signatory of UNPRI and Institutional Investors Group on Climate Change. Examples of significant engagements include: **HMT, UK government** - Insight led the UK's national conversation on RPI. In September 2019, proposals were unveiled that would reduce the expected future change in RPI by around 1% per annum. This would have significant and immediate financial consequences for many, including UK pension schemes. Insight explained the implications to their clients and their advisers via a dedicated website and white paper. Insight responded to the consultation, which closed in August 2020. Insight's engagement was reported in national newspapers, trade publications and investment bank research notes. The UK government has yet to issue a response to the consultation responses.
Schroder Life Diversified Growth Fund	Total engagements: 672 Environmental: 195 Social: 134 Governance: 343	Examples of significant engagements include: **Google** – Schroders engaged with Google regarding corporate culture. Their aim was for Google to disclose further diversity data, make publicly available the internal annual report on sexual harassment and disclose details of employee training on Code of Conduct, visibility and use of whistle-blower channels. After several attempts at engagement with Google's Investor Relations ("IR") team, Schroders wrote to the CFO and Head of IR laying out their concerns over the deterioration of corporate culture and employee relations at Alphabet (Google's parent company). Schroders expected a response from a named executive however responses came from anonymous

		IR, directing Schroders to public disclosures, policies and articles. Schroders acknowledge that engagement is an ongoing activity and any required changes could take 2-3 years from initial engagement.
M&G: Alpha Opportunities Fund	Total Engagements: 7 Environmental: 1 Social: 2 Governance: 4	Examples of significant engagements include: **Pilgrims Pride –** M&G engaged with meatpacking companies to understand how they were dealing with the impacts of COVID-19 due to a series of outbreaks linked to their facilities. The companies have since adapted their policies and procedures to ensure the safety of their employees and their products, with several extending their employee emergency pay policies and implementing better tracking of COVID cases in their work force. **AB InBev –** M&G engaged with the firm to encourage the setting of medium-term emission reduction targets and a net zero target of 2050 or sooner. The sustainability team and M&G identified the main sources of the emissions (brewing and product packaging) and are currently working on the solution to reduce these emissions using recyclable materials. M&G will follow up with the firm once it has published its next ESG report to assess if near-term engagement is necessary.
M&G: European Loan Fund	Total Engagements: 14 Environmental: 10 Governance: 4	Examples of significant engagements include: **Upfield –** M&G engaged with Upfield to ensure that the high sustainability standards Unilever strived for were not lost at Upfield and to gain comfort that the company is managing these material ESG risks and acting responsibly, as it operates in high-risk areas, particularly relevant for deforestation. Following on from the engagement, Upfield is carrying out an in-depth review of working conditions and modern slavery in its suppliers later this year. This review had been pushed back due to COVID. M&G look to follow up post this review, as it is an area of high-risk and one in which M&G think Upfield could do more.
Partners Group Partners Fund[1]	Given Partners Group often have control of the board of some of their underlying holdings, they are unable to confirm the exact number of engagements. We are working with members of their working group to see how private markets information can best be captured in the future.	Examples of significant engagements include: **Key Group –** In 2020, Partners Group were able to use their position on the board of the group to reduce its environmental footprint whilst improving its culture and upgrading procedures and IT infrastructure to face the pandemic. Regular communications from the HR team to colleagues reminded them of the support available which included their Employee Assistance Programme, counselling, access to mental health first aiders and support from the L&D team in working from home and leading remote teams. Key Group's Crisis Management Team continue to have twice-weekly virtual meetings to discuss the ongoing challenges of a fast moving situation, adapting to Government guidance immediately.

Partners Group Multi Asset Credit Fund 2016[1]	Total engagements: 6 Governance: 6	Examples of significant engagements include: **JLA, Ltd** – Partners Group held calls with the Chief Financial Officer of JLA when the pandemic first hit the UK in March 2020 to assess the company's preparation. They followed up with this in June to assess the impact on business, use of government schemes and expected impact as lockdown eases. This enabled early provision of a revised budget and cashflow reforecast. **DBI Services** – In March 2019, Partners Group took an active Board an Ownership role following the comprehensive debt restructuring. During this time, DBI Services has made significant operational and financial progress.
Partners Group Multi Asset Credit VI[1]	This fund was launched in October 2020 so Partners Group do not yet have engagement data for the fund. Partners Group expect to be able to provide engagement data for the next reporting cycle.	
Insight Asset-Backed Securities Fund	Total engagements: 221 Insight did not provide the split across the three categories; Environmental, Social and Governance.	Examples of significant engagements include: Insight engage with issuers when underwriting deals. These engagement activities are consistent with the firm's stewardship and ESG policies. **RMBS La Trobe** – Insight believe that RMB La Trobe have strong governance and social scores, but they had some questions regarding the provision of information on environmental risks. Insight engaged with the company to obtain information on environmental metrics and stress tests and to incorporate climate change factors into their origination process. Post-engagement, the Insight still believe some areas can be improved on the origination and servicing side. These include the way origination teams are compensated and the setting of fee incentives for the services collection process. Insight would also like to see the complaints independently reviewed away from the service function.
Apollo Accord Fund	Total engagements: 1 Governance: 1	**Gannett Holdings LLC** - At the Board meeting, Apollo discussed overall health of the organization as well as diversity and inclusion. The Company has established a Diversity Advisory Council and Employee Resources Groups to increase representation particularly among the leadership team. Following the engagement, Gannett has set a goal of 50%+ workforce consisting of underrepresented groups by 2025 and increasing diversity at the director level and above.

1 Partners Group provide ESG related data semi-annually, so the information shown covers 12 months to 31 December 2020.

Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 5 April 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Schroder Life Diversified Growth Fund*	Proposals voted: 18,875 Voted for: 17,365 Voted against: 1,510 Abstained from voting: 75	**Total SA** Proposal: Instruct Company to Set and Publish Targets for Greenhouse Gas (GHG) Emissions Aligned with the Goal of the Paris Climate Agreement and Amend Article 19 of Bylaws Accordingly. The company was being asked to set and publish targets for greenhouse gas emissions aligned with the goal of the Paris agreement. Schroders voted for the proposal, despite the management voting against the proposal as, despite the company displaying significant progress, recently announcing a net zero 2050 target and medium term targets, the company has not included short term targets in this announcement enabling investors to monitor progress towards these longer targets each year. As the net zero target brings Total in line with regional sector peers, the extent of scope 3 emissions included and general transition pathway appears to be less ambitious relative to some of its peers according to the Transition Pathway and company's targets alignment with 2 degrees or less.	At Schroders, voting and engagement activity is managed centrally by a 'Sustainable Investment Team'. Schroders were able to evidence a number of voting and engagement examples within underlying funds that are consistent with their overarching ESG policy. Outcomes for portfolio companies of underlying funds are set at the beginning of each engagement and are measured and monitored over time.

Partners Group Partners Fund[1]	Proposals voted: 744 Voted for: 695 Voted against: 49 Abstained from voting: 8	**Ferrovial** Proposal: Remuneration report, intending to provide shareholders information and a voice on the implementation of the remuneration policy. Partners Group voted against this proposal due to; 1) Inadequate disclosure of performance targets linked to remuneration, 2) No deferral of annual bonus to management, 3) Sizeable equity rewards to controlling shareholder/executive chair. **Techem** Proposal: Amendment of subcontractor's contracts, GDPR compliance, sustainability improvement initiative. Partners Group voted to control the board. Techem completed the amendment of contracts with subcontractors in Germany, Poland and France in 2020 to ensure adherence with health hand safety standards. Techem also started the assessment of contracts with subcontractors in the rest of the international markets. As of 30 September 2020, the company had completed 75% of the contract amendments. In terms of GDPR compliance, Techem designed a dashboard which includes the 24 most important tasks for implementation, the progress made on each and the potential risks related to them. In addition, Techem has successfully implemented the GDPR compliance-related tasks in 2020. Techem manages energy consumption data and billing information for over 11 million apartments across Europe.	Partners Group aim to have a seat on the advisory boards of the funds which they invest in, and no less than one seat on the Board of Directors for direct lead investments. These representatives work alongside the ESG and Sustainability team to create and implement ESG initiatives. Additionally, Partners Group aim to have a seat on the advisory board and formulate a dialogue with portfolio companies in order to monitor investment decisions. Partners Group held 350 advisory board seats as at the end of 2019 across private market investments. It is noted that in asset classes such as private credit, Partners Group have less scope to influence than when they are equity holders in a company.

1 Partners Group provide ESG related data semi-annually, so the information shown covers 12 months to 31 December 2020.

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