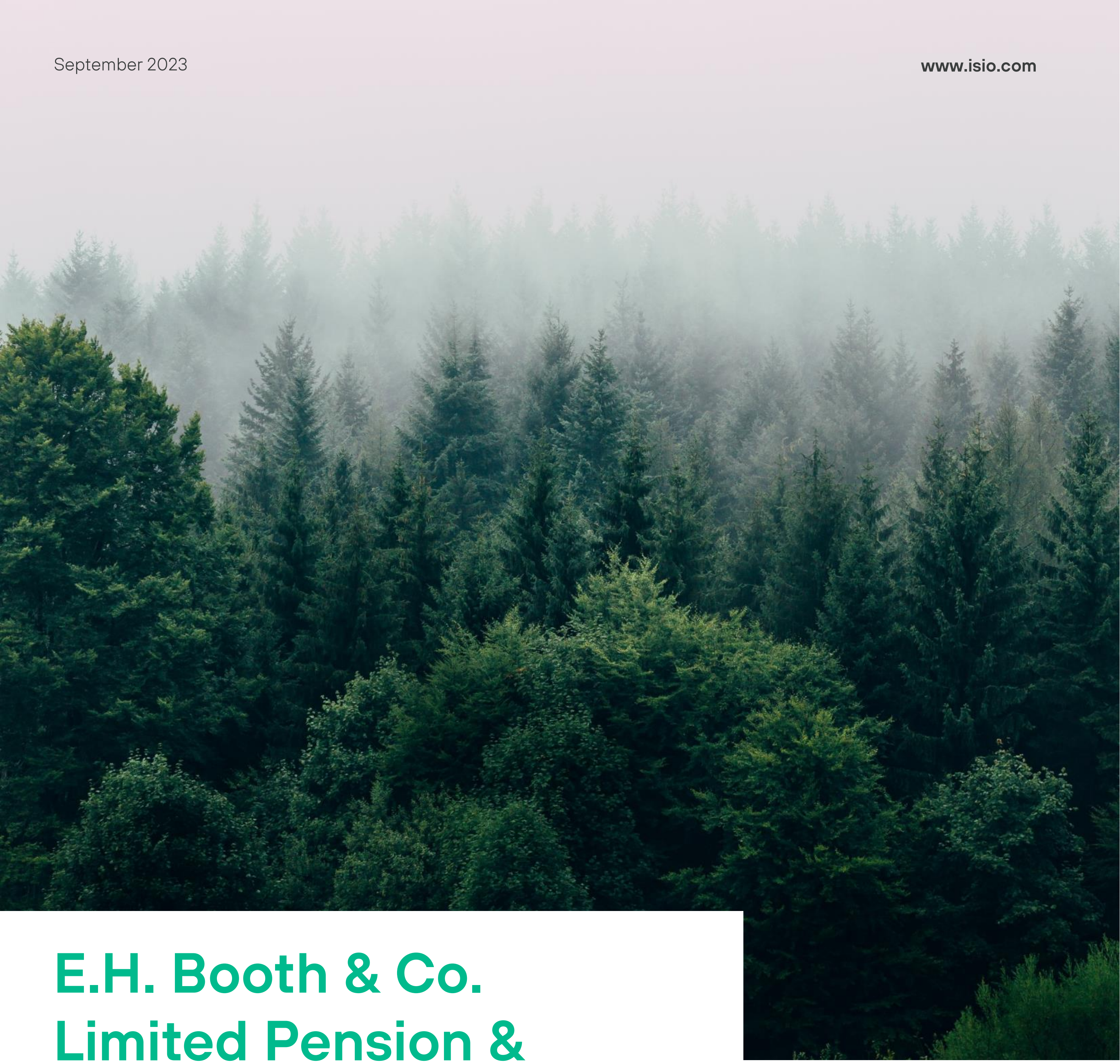

E.H. Booth & Co. Limited Pension & Assurance Scheme

September 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 EH-Booth-SIP-2020-with-date.pdf (booths.co.uk)changes to the SIP are detailed on the following page, of which there has been none over the reporting period.

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 5 April 2023 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 took several actions to maintain a sufficient liquidity position and provide collateral to support the Liability Driven Investment ("LDI") portfolio with Insight following extreme market volatility. In the first half of 2022, the Scheme's collateral waterfall was topped up using proceeds from the Scheme's M&G Alpha Opportunities Fund ("M&G AOF") and European Loans Fund ("M&G ELF"), totalling c.£7.5m. Over the second half of 2022, following the gilt crisis, Insight issued several collateral calls which were met by the Scheme's holdings in the Insight ABS and Insight Liquidity Fund, fully exhausting both funds requiring a further c.£7m disinvestment from the M&G AOF to restore the collateral waterfall. In addition, the Scheme's holding in the Schroders Diversified Growth Fund ("Schroders DGF") was fully liquidated to fund a capital call from the Apollo Accord V Fund and to provide further collateral to meet LDI deleveraging events.
- Apollo Accord Fund IV reached the end of its fund life, the position distributed final payments totalling c.£480k. Over the year to the 5 April 2023, the Apollo Accord Fund V called c.£2.3m and distributed c.£564k.
- The Partners Group MAC 2016 mandate distributed a total of c.£232k over the 12 months to 5 April 2023. The fund is currently in its harvesting period and the final fund maturity has been extended to July 2026. The Trustees, along with the majority of other investors in the Fund, voted to accept the 3-year extension to avoid the remaining positions in the fund being sold at a large discount and to help generate the greatest return in a more stable macroeconomic environment.
- The Scheme received its final Partners Group MAC VI call over the period, capital calls totalled c.£2m. The Scheme's holding called c.94% of the £7m committed capital. The position's investment period ends in December 2023 with the fund life due to end in December 2027.
- Post year-end, the Trustees agreed a new strategic asset allocation, the allocation includes an increase to the LDI hedge and a higher proportion of assets held in the existing liquid holdings. The Trustees are in the process of implementing the agreed strategic changes at the time of preparing this report.

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 consideration including ESG factors and climate change.

Adopted by the Trustees on 25 October 2023.

Managing risks and policy actions DB

The Trustees have identified the following risks that it has considered in the Scheme's SIP. These risks and the Trustees' policies are set out in the tables below. The key actions the Trustees have taken over the accounting year to address some of these risks have been highlighted below.

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.	To hedge above 90% of these risks on a Self-Sufficiency basis.	c.30% of the hedge was lost during the gilt crisis due to exhaustion of the Scheme's liquid mandates. As a result, the Scheme was unable to meet a LDI recapitalisation event. The hedge has since been restored to c.85-90%. As part of investment strategy discussions, the Trustees have increased the allocation to liquid assets to protect the Scheme's hedge going forward.
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 Trustees took several actions to maintain a sufficient liquidity position and to support the LDI portfolio with Insight following extreme market volatility. Over the first half of 2022, the Scheme's collateral waterfall was topped up using proceeds from M&G AOF and M&G ELF. Following the gilt crisis, several LDI collateral calls were met by the Scheme's holdings in the Insight ABS and Insight Liquidity Fund, fully exhausting both funds. The collateral waterfall was restored following a partial redemption from the M&G AOF and a full redemption from the Schroders DGF.

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.	Post reporting year-end, a new investment strategy was agreed with the Principal Employer. The Trustees are satisfied this new strategy remains appropriately diversified.
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.	No actions to report – the Scheme's credit mandates are diversified by sector, location, and sub asset class.
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 of the 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 mangers on an ongoing basis.	Further detail provided later in this report
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 except for the Apollo Accord mandate. The majority of 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

There have been no changes to the SIP over the 12-month period to 5 April 2023, however over the current reporting year the Trustees will be revising the SIP to reflect the changes to the Scheme's investment strategy and the latest regulatory guidance.

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.

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. 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.

ESG summary and actions with the investment managers

The Trustees have discussed potentially commissioning a review of the managers' ESG policies which could be presented in the form of an Impact Assessment report.

We will provide this information in the future if the Trustees decide to carry out an Impact Assessment.

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 5 April 2023, with the exception of Partners Group who provide data semi-annually so the information shown covers 12 months to 31 December 2022. Some managers may note a smaller number of engagements over the period due to the nature of the fund(s). For example, private market investments (such as Apollo) encourage continuous engagement throughout the holding period.

Please note that not all categories sum to the number of total engagements, as some engagements covered more than one ESG area.

Fund name	Engagement summary	Commentary and sample of engagement activity
Apollo, Accord V	**Number of entities engaged:** 6 **Total engagements:** 11 **Environmental:** 10 **Social:** 9 **Governance:** 4	Apollo are committed to regularly communicating and supporting the underlying portfolio companies on ESG issues, this includes delivering quarterly webinars, on-site company visits and convening conferences. Examples of how Apollo have engaged are outlined below. **Speed Midco 3 S.A.R.L.:** Apollo engaged with the company to implement 2 sustainability-linked targets in the deal structure. One of the targets is focused on ESG emissions reductions KPI through targeting a 5% reduction per annum. The second target is an ESG management role KPI, for all managerial positions up to the executive board with ESG management targets increasing 2% annually Apollo will monitor the company's progress via regular reports from the issuer on the company's

		greenhouse gas emissions and management diversity. **Energy Transfer LP:** Apollo met with the CEO and CFO where they discussed a range of topics including pipeline safety, carbon reduction initiatives and potentially changing the company's governance structure.
Insight, Asset-Backed Securities	**Number of entities engaged:** 40 **Total engagements:** 50 Insight did not provide the split for the Asset-Backed Securities instruments across the three categories; Environmental, Social and Governance. They note that most engagements are direct and substantive in nature, involving discussions to improve data provided by originators and including ESG into the loan underwriting process.	Insights stewardship programme includes their prioritised engagement themes, which are climate change, water management, and diversity and inclusion for this year. Insight uses an approach to identify poor performers to launch targeted engagements. Examples of how Insight have engaged are outlined below. **European Data Warehouse (EDW):** Insight engaged with the EDW, the central depositary for EU and UK securities information, to improve data availability and comparability across the market in order to improve ESG analysis and reporting. Insight proposed EDW implement a data aggregation tool to take information from public deals on the same parameters. For private deals, Insight requested whether some of the data such as asset class and ESG data (where available) could be provided to investors. EDW were open to these ideas, but noted the outcome will take some time. EDW also prepared reports that might help to engage EPC scores and map ESG ratings across geographies, they will follow up with their research team as to how the reports could

		be improved to meet Insights and other industry participant needs. Insight will continue to engage and review their progress on an ongoing basis. **Pepper:** Insight engaged with Pepper, a significant issuer in the Australian market, after raising an area of concern as they do not include ESG considerations in their loan origination and underwriting process. Since engaging, Pepper are looking to implement a number of ESG metrics in their annual report and are reviewing their loan origination policies. Insight noted that the engagement outcome was positive in terms of disclosures, but they will review the annual report to ensure the metrics are appropriate, whilst the loan level practices require continued engagement.
Insight, LDI	**Number of entities engaged:** 11 **Total engagements:** 37 **Environmental:** 22 **Social:** 26 **Governance:** 15 **Other:** 102	As the underlying assets are government bonds, ESG engagement is limited to Insight's engagement with underlying counterparty banks. Therefore, the engagements provided by Insight cover their general approach to engagement with counterparty banks and examples of engagements with wider market stakeholders. An example of an area Insight has engaged has been outlined below. **UBS:** Insight engaged with the counterparty bank over various governance controversies UBS has experienced and whether there are any controls in place to stop this from happening again.

		Additionally, Insight questioned their diversity across management as only 25% of management are female. UBS have implemented a 30% target of female representation in management positions since engagement. Insight will continue to engage with UBS regularly, in particular they are interested in seeing a specific net zero target for the loan book.
M&G, Alpha Opportunities Fund	**Total engagements:** 11 **Environmental:** 5 **Of which relating to Climate change:** 4 **Social:** 4 **Governance:** 2	M&G keep regular contact with the management teams of the companies within their portfolio and have a central Sustainability & Stewardship team to drive engagement activity once analysts flag key ESG-related issues. Given the Fund invests in debt and debt-like assets however, engagement rights are more limited than equity assets. As such M&G will typically rely on the equity holder(s) for data provision and voting activity to support their engagement efforts. An example of an area M&G has engaged has been outlined below. **Thermo Fisher:** M&G engaged with the US medical technology and analytical equipment company to ensure they had effective policies and procedures in place following public reports of human rights violations that DNA products were potentially being used in a way that opposes human rights principles. Through engagement, M&G were satisfied that Thermo Fisher had taken the issue seriously as the company has improved its policies and procedures to implement a Code of Business Conduct and Ethics applicable to all employees, who will receive

		training on the code annually. The company also implemented a multi-level purchasing process to help ensure no products are sold that could be used in ways to violate human rights. Additionally, Thermo Fisher has a Bioethics Committee which assesses the ethical and social implications of developments in biotechnology. M&G will engage further with the company on bioethics in due course.
M&G, European Loans Fund	**Number of entities engaged:** 7 **Total engagements:** 13 **Environmental:** 4 **Of which relating to Climate change:** 4 **Social:** 7 **Other:** 2	M&G engage with the borrowers and sponsors on their ESG models and guidelines. As the European loan market is private and often involves investing in new entities, ESG data and policies may not always be readily available. Therefore, M&G aim to use their influence to encourage borrowers and sponsors with target-setting and disclosures. An example of an area M&G has engaged has been outlined below. **Xella:** M&G engaged with the buildings material supplier to push them to commit to implementing a science-based carbon reduction target and committing more to diversity and inclusion targets. The engagement was successful, with the company agreeing to submit an initial Science Based Targets initiative (SBTi) letter of commitment by the end of 2022 and agreeing to a target of at least 25% female representation in management by 2025. M&G will continue to monitor Xella's progress against commitments.
Partners Group, Multi Asset Credit Fund 2016	**Number of entities engaged:** 4	An example of an area Partners Group has engaged has been outlined below.

		Cote Bistro: Partners Group engaged with the company to look at the progress following its restructure due to financial difficulties. Partners Group noted that despite the challenging environment with high inflation and low consumer confidence in the UK, the company's financial performance is promising and is in line with peers.
Partners Group, Multi Asset Credit Fund VI	**Number of entities engaged:** 5	Partners Group are currently in discussion with 2 Sponsors and Companies regarding the inclusion of ESG related Short-term Liquidity Line terms on new financing.
Partners Group, The Partners Fund	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.	**Premistar:** As the company is in the early stages of investment, Partners Group have engaged with Premistar to set ESG initiatives following the first ESG key performance indicator survey. Premistar has engaged a third party ESG consultant to identify material topics and create a long-term plan. Additionally, the company is going to hire an ESG manager and sales strategy employee, as they would like to implement an energy efficiency sales strategy with their customers.

Voting (for equity/multi asset funds only)

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Partners Group have provided details on their voting actions including a summary of the activity covering the 12 month period to 31 December 2022, as they unable to provide data to the Scheme's year-end date due to only providing ESG related data semi-annually.

The Trustees have adopted the managers definition of significant votes and have not set stewardship priorities. Partners Group have provided examples of votes they deem to be significant as they represent the largest exposure in the fund.

Fund name	Voting summary	Examples of most significant votes	Commentary
Partners Group, The Partners Fund	**Proposals eligible to vote on:** 853 **Proposals voted:** 853 **Voted with management:** 802 **Voted against management:** 34 **Abstained from voting:** 17	Partners Group have provided examples of the private markets investments in The Partners Fund as they represent the largest exposure in the fund, the listed equity exposure is usually <5%. Examples of significant engagements include: **Techem:** As Partners Group control the board, the vote direction was not applicable. The company has created the Techem Research Institute on Sustainability, where the company's ESG plans will be determined. Techem has introduced a number of initiatives to reduce their environmental impact, for example development of sustainable product design and use of recycled materials. Techem also contributes to climate neutral building stock through efficient and smart technology	Partners Group use the Glass Lewis proxy advisory services with a bespoke proxy voting directive. If there is difference in recommendation between Glass Lewis, the Proxy Voting Directive, and company's management, votes are submitted on a manual basis. - 99% of votes enacted by the proxy agent were in line with the recommendation.

which reduces energy and CO_2 emissions for heat and water by involving owners and tenants. Additionally, Techem have a decarbonisation plan which aims to reduce CO_2 emissions by 42% by 2030 and a long-term goal of a 90% reduction by 2045.

Fermaca:

As Partners Group control the board, the vote direction was not applicable. The company has made progress over a number of initiatives during the year. For example, out of the 27,000 trees planted in 2020 by Fermaca as part of a reforestation effort, there has been a 90% survival rate. Additionally, the company has reduced its methane emissions in the system by 4.7%. The company has also shown high standards across its Health and Safety, with an incident rate of 0.00% in 2022. Additionally, Fermaca has introduced an environmental and social management system to allow for full compliance with the Equator Principles and Performance Standards of the International Finance Corporation. As at 31 December 2022, Fermaca is at 65% adoption across its system compared to its 50% target.

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