



Ecovert Pension Scheme Implementation Report

Scheme Year to 5 April 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.

Regulations also require that the Trustees detail the Scheme's policies in their Statement of Investment Principles (SIP) and demonstrate their adherence to these policies in an Implementation Report.

Statement of Investment Principles (SIP)

The Scheme has updated its SIP during the reporting year to 5 April 2023 in response to the DWP regulation to cover:

- policies on the stewardship of the investments, including voting and engagement policies which set out how the Trustees engage with managers about 'relevant matters'.

The SIP can be found online at the web address here:

<https://www.saur-uk.com/about/ecovert-pension-scheme/>.

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 Trustee 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 Trustee 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 they invest.
- voting behaviour covering the reporting year up to 31 March 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

DB Section

No key actions were undertaken over the Scheme's reporting year.

DC Section

Following a formal review of the DC marketplace in the UK, the Trustees of the Scheme agreed to change the structure of the Scheme's pension arrangements.

This resulted in an agreement to transfer the DC assets to a Master Trust arrangement with L&G and therefore wind up the Plan's existing DC Section. This was completed following the Scheme Year covered by this statement, in May 2023.

This statement therefore still provides voting and engagement data for all funds held by the DC Section during the Scheme Year.

Implementation Statement

This report demonstrates that the Ecovert Pension 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 Section

| Risk / Policy | Definition | Policy | Actions |
|---|--|--|---|
| Interest rates and inflation | The risk of mismatch between the value of the DB Scheme assets and present value of liabilities from changes in interest rates and inflation expectations. | To invest 100% of the Scheme's assets in UK Gilts. | There have been no changes to the policy over the reporting year. |
| 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). | There have been no changes to the policy over the reporting year. |
| Market | Experiencing losses due to factors that affect the overall performance of the financial markets. | To safeguard against any unrewarded risks, where practicable. | There have been no changes to the policy over the reporting year. |
| Credit | Default on payments due as part of a financial security contract. | 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. | There have been no changes to the policy over the reporting year. |
| 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: <ol style="list-style-type: none"> 1. Managers with a clear and well documented responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting | More details on the ESG policy and how it was implemented are presented later in this report. |

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| | | <p>rights to manage ESG factors</p> <p>4. ESG specific reporting</p> <p>5. UN PRI Signatory</p> <p>The Trustee monitors the managers on an ongoing basis.</p> | |
| 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. | There have been no changes to the policy over the reporting year. |
| Non-financial | Any factor that is not expected to have a financial impact on the Scheme's investments. | Non-financial matters are not considered in the selection, retention, or realisation of investments. | There have been no changes to the policy over the reporting year. |

Managing risks and policy actions - DC Section

| Risk / Policy | Definition | Policy | Actions |
|--------------------------------------|--|--|---|
| Interest rates | The potential for adverse interest rate movements to have an impact on the Scheme's bond investments. | The Scheme's default invests in a diverse range of assets to mitigate this risk. | There have been no changes to the policy over the reporting year. |
| Inflation | The potential that the Scheme's investments will not keep pace with inflation. | The Scheme's default strategy is expected to outperform inflation. | There have been no changes to the policy over the reporting year. |
| Liquidity | Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment. | The default invests in daily traded pooled funds which hold highly liquid assets. | There have been no changes to the policy over the reporting year. |
| Market | Experiencing losses due to factors that affect the overall performance of the financial markets. | To safeguard against any unrewarded risks, where practicable. | There have been no changes to the policy over the reporting year. |
| Credit | Default on payments due as part of a financial security contract. | To appoint investment managers who actively manage the risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default. | There have been no changes to the policy over the reporting year. |
| 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: <ol style="list-style-type: none"> Managers with a clear and well documented responsible Investment ('RI') Policy / Framework | More details on the ESG policy and how it was implemented are presented later in this report. |

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| | | <ol style="list-style-type: none"> 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 <p>The Trustee monitors the managers on an ongoing basis.</p> | |
| 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. | There have been no changes to the policy over the reporting year. |
| Non-financial | Any factor that is not expected to have a financial impact on the Scheme's investments. | Non-financial matters are not considered in the selection, retention, or realisation of investments. | There have been no changes to the policy over the reporting year. |

Changes to the SIP

Changes to the SIP

Date updated: March 2023

Monitoring engagement with regards to the Environmental, Social, Corporate Governance factors and the exercising of rights

- The Trustees will engage, via their investment advisers, with investment managers and/or other relevant persons about relevant matters at least annually.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy regarding ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following page outlines Isio'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 Trustee 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 | <ul style="list-style-type: none">• Through the manager selection process, ESG considerations will form part of the evaluation criteria.• The Scheme's investment advisor, Isio, will monitor managers' ESG policies on an ongoing basis, and will engage with managers about 'relevant matters' at least annually. | <ul style="list-style-type: none">• The manager has not acted in accordance with their policies and frameworks. |

Areas of assessment and ESG beliefs

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|-----------------------------------|--|
| Risk Management | <ol style="list-style-type: none"> 1. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee. 2. The Trustee believes that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy. |
| Approach / Framework | <ol style="list-style-type: none"> 3. The Trustee wants to understand how asset managers integrate ESG within their investment process and in their stewardship activities. 4. The Trustee believes 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 Trustee will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets. |
| Voting & Engagement | <ol style="list-style-type: none"> 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 Trustee believes 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 Trustee wants to understand the impact of voting & engagement activity within their investment mandates. |
| Reporting & Monitoring | <ol style="list-style-type: none"> 9. ESG factors are dynamic and continually evolving, therefore the Trustee will receive training as required to develop their knowledge. 10. The Trustee will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments. |
| Collaboration | <ol style="list-style-type: none"> 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 L&G, we requested a summary of engagements by category for the 12-month period to 5 April 2023 from L&G.

L&G were only able to provide engagement data for a limited number of funds covering the 12 months to 31 March 2023, therefore the below data is for the period 31 March 2022 to 31 March 2023.

DB Section

| Fund name | Engagement summary | Commentary |
|--|--------------------|--|
| L&G Over 5 Year Index-Linked Gilt Fund | No data available. | L&G are currently unable to produce engagement data for property, government bonds and cash funds. We are working with them to ensure that this data is available in future. |
| L&G All Stocks Gilt Index Fund | No data available. | See previous commentary. |

DC Section

| Fund name | Engagement summary | Commentary |
|--|--|--|
| L&G Retirement Income Multi-Asset Fund | Total engagements: 1,005 Environmental: 437 Social: 223 Governance: 310 | L&G's investment and stewardship team's work together to incorporate ESG issues in decision process, from research and engagement to product development. L&G aim to engage directly with individual companies with the L&G Stewardship team also engaging with other asset owners on a wide range of ESG-related themes. L&G provide an annual Active Ownership Report setting out the firm's approach to stewardship and activities during the year. Further to this and on a quarterly basis, L&G disclose case studies of voting and engagement activities undertaken and/or concluded. |

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| L&G Ethical Global Equity Index Fund | Total engagements: 337 Environmental: 128 Social: 55 Governance: 136 | See previous commentary. |
| L&G Multi-Asset Fund | Total engagements: 976 Environmental: 432 Social: 227 Governance: 282 | See previous commentary. |
| L&G Cash Fund | Total Engagements: 5 Environmental: 3 Social: 1 Governance: 1 | See previous commentary. |

Voting (for equity/multi asset funds only)

As the Scheme invests via L&G, the manager has provided details of their voting actions including a summary of the activity covering the reporting year to 5 April 2023

The Trustees have adopted the managers' definition of significant votes and have not set stewardship priorities. The managers have therefore provided examples of votes they deem to be significant.

L&G were only able to provide voting actions for the 12 months to 31 March 2023, therefore the below data is for the period 31 March 2022 to 31 March 2023.

This section is required for equity and multi asset funds only and therefore no DB funds are included.

DC Section

| Fund name | Voting summary | Examples of significant votes | Commentary |
|---|---|---|--|
| L&G Retirement Income Multi-Asset Fund | <p>Meetings eligible to vote at: 10,211</p> <p>Resolutions eligible to vote on: 104,732</p> <p>Resolutions voted: 99.8%</p> <p>Votes with management: 78.0%</p> <p>Votes against management: 21.4%</p> <p>Abstained from voting: 0.7%</p> | <p>Prologis Inc. – elect Director Hamid R Moghadam.</p> <p>L&G against this resolution.</p> <p>L&G voted against this as they expect companies to separate the roles of Chair and CEO due to risk management and oversight. L&G also expect the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure and background.</p> | <p>L&G use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions. Voting decisions are made by the L&G Investment Stewardship ("IS") team and they do not delegate any voting decisions to external parties. Each member of the IS team allocated a specific sector globally which ensures that any voting decision remains consistent throughout the engagement and voting process.</p> <p>L&G have also produced a custom voting policy for ISS to follow which incorporates LGIM's view on ESG issues.</p> |

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| <p>L&G Ethical Global Equity Index Fund</p> | <p>Meetings eligible to vote at: 1,156</p> <p>Resolutions eligible to vote on: 16,618</p> <p>Resolutions voted: 99.8%</p> <p>Votes with management: 81.9%</p> <p>Votes against management: 17.9%</p> <p>Abstained from voting: 0.2%</p> | <p>NatWest Group Plc. – approve climate strategy.</p> <p>L&G voted against this resolution.</p> <p>LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal..</p> | <p>See previous commentary.</p> |
| <p>L&G Multi-Asset Fund</p> | <p>Meetings eligible to vote at: 9,817</p> <p>Resolutions eligible to vote on: 100,084</p> <p>Resolutions voted: 99.8%</p> <p>Votes with management: 77.5%</p> <p>Votes against management: 21.7%</p> <p>Abstained from voting: 0.7%</p> | <p>Royal Dutch Shell Plc – LGIM voted against approving the company's Energy Transition Progress Update.</p> <p>LGIM acknowledge the substantial progress made by the company strengthening its operational emissions reduction targets by 2030 however LGIM remain concerned with the disclosed plans for oil and gas production, and would benefit from further target disclosure of associated up and downstream businesses.</p> | <p>See previous commentary.</p> |

