

# Atlas Converting Equipment Ltd Retirement & Death Benefit Scheme

## Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustee's Statement of Investment Principles (SIP) dated August 2024 have been implemented.

It also includes the Trustee's voting and engagement policies, and any changes made during the Scheme year, with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, is also included within this Statement.

The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustee's Chair's Statement for the year ending 31 December 2023.

This Statement covers the period 1 January 2023 to 31 December 2023.

### **Investment objectives of the Scheme**

The objectives of the Scheme are set out on page 3 of the SIP and are summarised below.

The Trustee's objectives with regard to investing Scheme assets are to deliver growth for the members over the lifetime of the investment, and also provide the Guaranteed Annuity Rates at retirement where applicable.

### **Stewardship policy**

The Trustee's stewardship policy, as set out in the SIP is as follows.

The Trustee expects the Insurer and underlying Investment Managers to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. The Trustee will assess the stewardship and engagement activity of the Insurer and its Investment Managers (delegating to the Investment Consultant where appropriate). This will be done by reviewing the underlying Investment Managers' voting and engagement policy and summary reports detailing the engagement and voting activity undertaken by the Investment Manager.

### **Review of the SIP**

The Trustee did not review the SIP during the year, as this is the inaugural version of statement.

The Trustee has a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this statement and are detailed in the Trustee's SIP.

### **Investment managers and funds in use**

The Scheme invests wholly in the Aviva Traditional With Profits Fund.

The underlying funds which comprise the Aviva With Profits Fund are set out below.

| Asset Class     | Fund  |
|-----------------|---|
| Global Equities | Schroder Global Equity Alpha Fund                     |
| Global Equities | Schroder Global Climate Change Equity Fund            |
| UK Equities     | Schroder UK Equity (ex-Tobacco) Fund                  |
| Global Equities | Schroder Strategic Global Equity Fund                 |
| Global Equities | Walter Scott UKLAP With Profits FPLP Asset Share Fund |

## Investment Governance

The Trustee is responsible for making investment decisions, and since June 2024 will seek advice as appropriate from Broadstone Financial Solutions Limited ('Broadstone'), as the Trustee's investment consultant.

The Trustee does not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustee expects to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustee has not put in place strategic objectives for Broadstone, as the Trustee's investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The Trustee however expects to review Broadstone in the forthcoming Scheme year, and from hereon in are due to be reviewed triennially.

Prior to the appointment of Broadstone the Trustee last reviewed the performance and suitability of the Aviva With Profits Fund in February 2019. In line with the objectives set out in the Statement of Investment Principles it was decided to maintain the existing arrangements.

## Trustee Policies

The table overleaf sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:



| Requirement  | Policy   | Implementation of Policy  |
|--|--|---|
| <b>Financially and Non-Financially Material Considerations</b> | <p>The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects the Insurer and underlying Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account.</p> <p>Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects the Insurer and underlying Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.</p> | No deviation from this policy over the year to 31 December 2023 (see below) |
| <b>Voting Rights and Engagement</b>                            | <p>The Trustee expects the Insurer and underlying Investment Managers to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. The Trustee will assess the stewardship and engagement activity of the Insurer and its Investment Manager (delegating to the Investment Consultant where appropriate). This will be done by reviewing the underlying Investment Managers' voting and engagement policy and summary reports detailing the engagement and voting activity undertaken by the Investment Manager.</p>   | No deviation from this policy over the year to 31 December 2023 (see below) |

### **Financially and non-financially material considerations**

The Trustee notes that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustee is satisfied that the funds currently invested in by the Scheme is managed in accordance with their views on financially material considerations, as set out above, and in particular with regards to the selection, retention, and realisation of the underlying investments held. As part of the monitoring process, the Trustee has access to updates on governance and engagement activities by their investment managers.

The Trustee acknowledges that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers, given they are investing in pooled funds.

The Trustee invests across a range of asset classes and styles and expects their investment managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

### **Voting rights and engagement activities**

The Trustee currently invests in the Aviva With Profits Fund, which utilises pooled investment funds with the investment managers. The Trustee acknowledges that this limits its ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Trustee's stewardship policy

is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

Within the current investment arrangements, the funds managed by the underlying investment managers, namely Schroders and Walter Scott, contain publicly listed equity holdings. The funds have voting rights attaching these underlying equities, and the Trustee has delegated these voting rights to Schroders and Walter Scott. A summary of the votes made by both managers from 1 January 2023 to 31 December 2023 on behalf of the Trustee for each underlying fund (which comprises the Aviva with Profits Fund) currently used by the Scheme is provided in the table below.

| Manager      | Fund                                     | Resolutions voted on | Total Resolutions Voted: |         |           |
|--------------|--|----------------------|--------------------------|---------|-----------|
|              |  |                      | For                      | Against | Abstained |
| Schroders    | Global Equity Alpha Fund                 | 2,274                | 87%                      | 13%     | ~0%       |
| Schroders    | Global Climate Change Equity Fund        | 1,105                | 89%                      | 11%     | ~0%       |
| Schroders    | UK Equity (ex-Tobacco) Fund              | 1,032                | 98%                      | 2%      | ~0%       |
| Schroders    | Strategic Global Equity Fund             | 5,780                | 86%                      | 14%     | ~0%       |
| Walter Scott | UKLAP With Profits FPLP Asset Share Fund | 709                  | 97%                      | 3%      | 0%        |

All the Scheme's assets are invested in pooled funds. Information regarding proxy voting is detailed below:

- Schroders use Glass Lewis (GL) as a proxy-voting service, which is complemented with analysis by their own in house ESG specialists.
- Walter Scott use International Shareholder Services (ISS) as a proxy voting service, although every voting decision is the result of their internal proprietary research and analysis.

### Significant votes

The Trustee believes the following are the most significant votes undertaken on their behalf over the Scheme year:

| SIGNIFICANT VOTE 1 |  |
|--------------------|--|
| Company            | Coterra Energy Inc.  |
| Date               | 4 May 2023   |
| Resolution         | Report on Climate Lobbying   |
| Why significant    | Schroders view climate matters and other environmental or social issues as being significant to client stakeholders.   |
| How voted          | VOTED FOR  |
| Manager Comments   | <i>The company is asked to disclose information demonstrating how its lobbying activity aligns with the goals of the Paris Agreement. We welcome additional disclosure for shareholders to further understand how the company's lobbying is helping to advance its decarbonisation ambitions. We believe that how we have voted is in the best financial interest of our clients' investments.</i> |
| Vote outcome       | The proposal was rejected by the majority of shareholders.   |



## SIGNIFICANT VOTE 2

|                  |  |
|------------------|--|
| Company          | Microsoft Corporation  |
| Date             | 7 December 2023  |
| Resolution       | Report on Data Operations in Human Rights Hotspots   |
| Why significant  | Schroders view climate matters and other environmental or social issues as being significant to client stakeholders.   |
| How voted        | VOTED FOR  |
| Manager Comments | <i>Shareholders would benefit from further disclosure on how the company mitigates risks in markets in which it operates where there are significant human rights concerns. We believe how we have voted is in the best financial interests of our clients' investments.</i> |
| Vote outcome     | The proposal was rejected by the majority of shareholders.   |

## Engagement activities

The Trustee has also delegated engagement activities to Schroders and Walter Scott, however we did not receive any information from the latter. A notable engagement activity provided by Schroders is below:

- **Schroders** engaged with Unilever on deforestation risk exposure, a risk highlighted as a result of their food manufacturing operations. The company had ambitious goals of no further deforestation or land conversions by 2023, so Schroders sought an update upon how they are moving towards meeting their targets. Significant progress has been made across their most impactful commodities which make up 65% of their land use (soy, palm oil, tea, paper, cocoa). Unilever has also committed to protect and regenerate 1.5 million hectares of land and sea by 2030 and further focus on regenerative agriculture.

The Trustee believes that the most significant votes detailed above are aligned with the Scheme's stewardship priorities as detailed at the start of this document.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from 1 to 5 (with 5 representing the highest score). The latest UNPRI scores of the investment managers are outlined in the table below.

| Manager      | UNPRI Score |
|--------------|-------------|
| Schroders    | ★★★★        |
| Walter Scott | n/a         |

## Monitoring of Investment Arrangements

The Trustee does not currently assess performance of the Aviva with Profits Fund, largely due to the nature of the insured benefits being provided by the Scheme.

Signed:

A handwritten signature in blue ink, appearing to be 'A.S. Ghosh', written in a cursive style.

Date: 26/9/24.

On behalf of the Trustee of the Atlas Converting Equipment Ltd Retirement & Death Benefit Scheme