



Trafford Park Printers 1990 Pension Scheme

31 March 2024

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 Statement

This Implementation Statement provides evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles (the "SIP").

The SIP can be found online at this web address:

<https://www.isio.com/app/uploads/2024/03/Trafford-Park-Printers-SIP.pdf>

Changes to the SIP are detailed on page 6.

The Implementation Statement 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 over the reporting year up to 31 March 2024 covering the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2024 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

Following the significant increase in gilt yields September/October 2022, the present value of the Scheme's liabilities reduced significantly. As such, the Trustees agreed to "lock-in" the funding improvements and an investment strategy with a lower expected return of gilts + 1.3% was implemented. Through adding Gilts to the investment portfolio (alongside the existing LDI assets), the Scheme achieved a 100% interest rate and inflation target hedge ratio. This reduced the Scheme's investment risk.

The Trustees take ESG matters seriously. During the reporting period, the Trustees held an "ESG Beliefs Session" and subsequently formulated a formal ESG Policy which can be applied to the Scheme's investment portfolio over time.

In October 2023, Isio conducted a Sustainability Integrated Assessment ("SIA") which reviewed the ESG credentials of the Scheme's investment managers on behalf of the Trustees. The Scheme's investment managers were reviewed through Isio's ESG Manager Review Framework, which focussed on assessing each

manager and Fund on key areas, such as their investment approach, risk management and collaboration.

Post reporting period, Isio conducted a second SIA, and the Scheme scored an overall rating of "light green" (meets traditional criteria) on both ESG and Climate, meaning that it scored strongly on the majority (but not all) of Isio's ESG and climate criteria.

Implementation Statement

The Implementation Statement demonstrates that the Trafford Park Printers 1990 Pension 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

Risk / Policy	Definition	Policy (as outlined in the latest signed SIP)	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 100% of interest rate and inflation risks by investing in matching assets that move in line with the present value of the Scheme's liabilities. The hedge target is monitored and refined annually.	In Q4 2022, the Trustees agreed to implement a new investment strategy targeting a 100% target hedge on both interest rates and inflation. Gilts were added to existing LDI assets to achieve the target hedge ratio. No refinements were needed over the latest 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) and to provide collateral to the LDI manager.	The Scheme's non-LDI assets are traded on a daily frequency, providing sufficient liquidity. The Scheme has an automatic arrangement where it will disinvest from JP Morgan Diversified Credit to meet LDI capital calls.
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.	The Scheme is invested in various funds across asset classes, therefore diversifying this risk.
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.	The Scheme invests in a pooled credit fund which invests across a variety of geographies and sectors, diversifying the underlying credit risk.
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.	The Trustees consider environmental, social, and corporate governance factors when selecting, monitoring and engaging in the investments they make. Following an ESG beliefs session completed in 2023, the Scheme has also implemented a formal ESG policy.	As part of the investment management of the Scheme's assets, the Trustees are expected to, where relevant, assess the integration of ESG factors in the investment process of underlying managers by considering the ESG ratings provided by the Investment Advisor. During the reporting period, Isio prepared a Sustainability Integration Assessment ("SIA") report on behalf of the Trustee which evaluated the investment managers' approach to integrating ESG factors. The report sets out Isio's assessment of the ESG

			<p>capabilities of each of the Scheme's underlying investment managers and identified areas for future engagements.</p> <p>During the reporting period, the Trustees held an "ESG Beliefs Session" and formalised an ESG Policy which can be applied to the Scheme's investment portfolio over time.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP denominated share classes where possible.	All the Scheme's investments are in GBP denominated share classes.
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.	

Changes to the SIP

Over the reporting period, the SIP was updated to reflect investment strategy changes and changes to regulatory requirements.

Policies added to the SIP

Date updated: October 2023

Voting Policy - How the Trustees expect investment managers to vote on their behalf

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

Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'

- The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
- The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.

Leverage and collateral management

- The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio.
- The Trustees, via the Scheme's LDI manager, have a stated collateral management policy / framework. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI manager. The Trustees will review and stress test this policy / framework over time.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a risk as it potentially could have a material impact on investment risk and return outcomes. This section details how the Scheme's ESG policy is implemented.

The assets of the Scheme are invested in pooled vehicles and the Trustees accept that pooled investments will be governed by the individual policies of the investment manager. These policies are reviewed as part of the consideration of pooled investments. As such, the Trustees have given their investment managers full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees are increasingly considering how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring the existing investment managers. The Trustees may consider the ESG ratings provided by their Investment Advisor on how the investment manager embeds ESG factors into its investment process. A change in ESG rating (or lack of ESG rating) does not mean that the fund will be removed or replaced automatically.

Following the completion of an "ESG Beliefs Session" held during the reporting period, a formal ESG Policy was agreed which can be applied to the Scheme's investment portfolio over time.

Over the reporting period, Isio conducted a SIA which reviewed the ESG credentials of the Scheme's investment managers and funds on behalf of the Trustees. The assessment reviewed each investment manager's investment philosophy and approach to incorporating ESG factors. The second SIA was completed post reporting period.

ESG summary and actions with the investment managers

Post reporting period, Isio shared a second SIA with the Trustees which reviewed the ESG credentials of the Scheme's investment managers and funds on behalf of the Trustees. In the table below, Isio has included an updated summary of each investment manager's ESG credentials and proposed actions for future improvements. Through Isio, the Trustees continues to engage with the Scheme's investment managers on both their ESG approach and engagement. Further information on each manager and fund can be found in the 2024 SIA report.

Manager - fund	ESG Summary	Actions identified
LGIM - Passive Equity	<p>LGIM is a market leader in integrating ESG and climate factors into their range of investment funds. They have a dedicated team concentrating on key ESG issues.</p> <p>However, there is limited scope to adapt the investment approach to ESG in the passive equity range. Despite the passive nature of the Fund, the fund actively engages with underlying companies in line with the firmwide Stewardship priorities and utilises LGIM's ESG reporting framework, particularly the ESG scoring system.</p>	<ul style="list-style-type: none"> - Consider setting explicit fund level ESG, climate and social objectives. - Consider making ESG training program compulsory for all members of the team. - The Fund range should consider reporting on nature or biodiversity-related metrics.
LGIM - Gilts	<p>LGIM is considered advanced relative to peers in relation to ESG integration, with a clear firm ESG policy and net zero commitment.</p> <p>Due to the passive nature of the fund, aiming to replicate the performance of their benchmark with no active credit selection, there are no fund-level ESG objectives or scorecards used in the investment process.</p>	<ul style="list-style-type: none"> - Expand on the optional training by introducing a formal training programme with a defined syllabus for all relevant investment professionals. - Include a fund-level ESG score and scope 3 GHG data in quarterly ESG reports.
LGIM - LDI	<p>LGIM is actively committed to integrating ESG considerations into LDI funds, supported by a dedicated ESG team that enhances stewardship and responsible investment using proprietary tools. At a firm level,</p>	<ul style="list-style-type: none"> - Introduce a formal ESG training program with defined training priorities. - Provide better incentives, more choice and encouragement to investors for using Active ESG tool to maximise engagement, improving outcomes.

	<p>LGIM demonstrate a robust approach to ESG and stewardship.</p>	<ul style="list-style-type: none"> - Increase GHG data coverage for holdings within the Fund.
<p>JP Morgan – Diversified Credit</p>	<p>JPM have robust ESG and stewardship policies, including a firm-level commitment to achieving net-zero greenhouse gas emissions by 2050.</p> <p>The Fund does not have ESG objectives and has limited portfolio exclusions. However, the portfolio team considers ESG risk during their investment process. JPM have a central Sustainable Investing Team, which actively participates in various industry collaborations.</p>	<ul style="list-style-type: none"> - Implement fund-level ESG targets and objectives. Develop portfolio exclusions policy. - Carry out an annual review of the ESG scorecard / risk framework. - Improve engagement levels. - Introduce social metrics into regular ESG reporting. Develop TCFD metrics reported on.

Engagement and Voting

The Trustees have appointed Mobius Life as the platform provider which implements policies on their behalf. Mobius Life 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, and Mobius Life has shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, Mobius Life informs the managers what they deem most significant.

Please see attached document from Mobius Life for details on engagement and voting actions including a summary of the activity, covering the 12-month period ending 31 March 2024.

