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

August 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 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-2023.pdf (booths.co.uk). Changes to the SIP are detailed later in the report.

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 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

- In March 2023, the Trustees agreed to implement an interim investment strategy following the gilts crisis in 2022. This strategy increased the Scheme's liability hedge and the proportion of liquid assets within the Scheme that provide collateral support to the liability driven investments ("LDI"). The strategy was implemented via a full disinvestment from the M&G Alpha Opportunities Fund ("M&G AOF") and the M&G European Loans Fund ("M&G ELF") in July, and a £3m partial redemption from the Partners Group Partners Fund in September. These proceeds were subsequently invested into the Scheme's Insight LDI portfolio to increase the hedge and the remainder invested in the Insight Global Asset-Backed Securities ("ABS") Fund to increase the collateral waterfall.
- Over the reporting year, the Scheme's close-ended illiquid vehicles made the following distributions:
    - Apollo Accord Fund V distributed c.£2.3m. It is expected the majority of capital will be returned over 2025, with the Fund winding up by August 2026.
    - Partners Group MAC 2016 mandate distributed c.£480k. It is expected the majority of capital will be returned over 2024/5, with the Fund life due to end in September 2025.
    - Partners Group MAC VI made its first distribution in 2023, with c.£772k distributed over the period. The Fund is expected to continue to make distributions, with the majority expected to be paid over 2027.

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.

Adopted by the Trustees of the E.H. Booth & Co. Limited Pension & Assurance Scheme in September 2024.

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 maintain an appropriate hedge through investing in liability matching assets with the aim of mitigating interest rate and inflation volatility, whilst ensuring compliance with all regulatory guidance in relation to leverage and collateral management.	The Trustees increased the Scheme's LDI hedge from 50-60% to 85-90% on a Technical Provisions basis to protect the Scheme's funding level against interest rate and inflation volatility following the 2022 gilt crisis.
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 meet regulatory guidance around providing collateral to the LDI manager.	The Trustees took several actions to maintain a sufficient liquidity position and provide collateral to support the Liability Driven Investment ("LDI") portfolio with Insight. This included full redemptions from the M&G ELF and the M&G AOF, and a partial redemption of the Partners Group Partners Fund. A portion of these proceeds were switched into an existing daily dealt holding, Insight ABS, to increase the Scheme's liquid collateral buffer.
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.	Over the year, the Trustees and Principal Employer implemented an update to the investment strategy for the Scheme. 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

Over the period to 5 April 2024, the Trustees made changes to the SIP to reflect changes to the Scheme's investment strategy and to reflect recent regulatory requirements as well as non-material formatting / wording changes. Details of the changes can be found below.

Policies added to the SIP	
Date updated: March 2024	
Investment Strategy – Strategic Allocation	• The Trustees updated the SIP to reflect the new strategic asset allocation that was implemented over the reporting period including the full redemption of the M&G AOF and M&G ELF, and partial redemption from the Partners Group Partners Fund.
Liquidity & Cashflow	• The Trustees implemented this policy to acknowledge that in certain circumstances cashflows may be required to come from an alternative manager to the most overweight liquid "return-seeking" holding. In such a circumstance the Trustees will take appropriate advice.
Voting Policy - How the Trustees expect investment managers to vote on their behalf.	• The Trustees have implemented this policy to acknowledge, via their investment advisers, 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 updated their policy to acknowledge responsibility, via their investment advisers, for the engagement policies that are implemented by the Scheme's investment managers on their behalf.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's 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 Trustees' 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 annual 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.

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 Trustees
Approach / Framework	3. The Trustees 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 Trustees 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 Trustees will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	9. The Trustees 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 a Sustainability Integration Assessment report.

We will provide this information in the future if the Trustees decide to carry out a Sustainability Integration 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 2024, with the exception of Partners Group who provide data semi-annually so the information shown covers 12 months to 31 December 2023. 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**
Apollo, Accord V **Number of entities engaged:** 5 **Total engagements:** 5 **Environmental:** 4 **Social:** 4 **Governance:** 5	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. Apollo engaged with its issuers through various methods of engagement to determine specific ESG data. Apollo proposed ESG ratchets were integrated into the deal structure for several of their issuers. These ESG margin ratchets are used in the deal structure to incentivise the issuers to improve their ESG credentials. Apollo was selected as the inaugural Chair of the Steering Committee for the ESG Integrated Disclosure Project ("ESG IDP") which was launched at the end of 2022. The ESG IDP template was designed to enhance transparency and consistency amongst private companies and credit investors through providing a standard format for ESG disclosures. Apollo engaged with an issuer by sending the ESG IDP to the company in order to enhance their ability to identify industry specific ESG risks.

Insight, Global Asset-Backed Securities **Number of entities engaged**: c.65 **Total engagements**: 70-80 Insight did not provide the split for the Asset-Backed Securities ("ABS") instruments across the three categories; Environmental, Social and Governance. They note that most engagements are involving discussions to improve data collection.	Insight's stewardship programme includes their prioritised engagement themes, which are climate change, water management, and diversity and inclusion. Insight uses an approach to identify poor performers to launch targeted engagements. Examples of how Insight have engaged are outlined below. **Mercedes Benz:** Insight engaged with Mercedes Benz, a significant issuer of auto ABS, to discuss Insight's unique ESG reporting requirements which include the completion of Insight's proprietary questionnaire. Insight believe their questionnaire provides a more rigorous quantitative ESG score than is currently standard practice. Insight informed Mercedes that should they not complete the more rigorous assessment, Insight may be required to disinvest. Mercedes agreed to complete the questionnaire and noted their understanding of the importance of the more robust evaluation. Insight will continue to collaborate with the company on the ESG questionnaire and support their efforts to increase transparency in their ESG practice. **Investcorp (HARVT):** Insight engaged with their collateralised loan obligation ("CLO") originator to determine ESG practices within the CLO market. This is because CLOs may result in exposure to sensitive sectors, such as tobacco or gambling. Since Insight's initial engagement, HARVT now incorporate ESG ratings in the assessment of the underlying loans within the collateral pool and exclude sectors such as gambling and usury lending practices. Insight will continue to engage on this issue and monitor their progress on policies and practices.
Insight, LDI **Number of entities engaged:** 19 **Total engagements:** 43 **Environmental:** 21 **Social:** 12 **Governance:** 5 **Other:** 123	As the underlying assets are primarily 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. **Royal Bank of Canada (RBC):** Insight engaged with a number of counterparties regarding ESG-linked executive remuneration. Insight expect ESG factors to play a key role in remuneration as they believe remuneration should be focused on long-term value creation, not just short-term financial performance. Following their engagement, Insight identified some counterparty banks who link ESG factors to executive remuneration but only using qualitative metrics. Insight have provided examples to such banks of the methods implemented by their peers who use a

	quantitative, scorecard-based approach as it is more transparent and robust. Due to Insight's engagement, RBC disclosed its plans to include climate considerations into medium and long-term incentive plans for executives.
Partners Group, Multi Asset Credit Fund 2016 **Number of entities engaged:** 5	Partners Group Multi Asset Credit Fund 2016 is currently in its harvesting period and the final fund maturity has been extended to July 2026, therefore they have had limited engagements with portfolio companies as they are realising the positions. An example of an area Partners Group has engaged has been outlined below. **Cote Bistro:** Partners Group engaged with Cote to review the company's progress since its 2020 restructure that resulted in a 100% equity ownership by Partners Group. The financial restructure was a result of financial difficulties that were exacerbated by the COVID-19 outbreak, pandemic and subsequent lockdowns. Performance towards the end of the 2023 was in line with budget however the number of restaurant covers were still below target. To further drive value creation activities, a new £17m commitment, intended to execute senior management's 5-year plan, was approved.
Partners Group, Multi Asset Credit Fund VI **Number of entities engaged:** 4	The Multi Asset Credit Fund VI is now in its realisation period and is set to end in December 2027, subject to potential extensions. As the Fund is realising positions, they have had limited engagements with their portfolio companies. An example of where Partners Group has engaged has been outlined below. **Kersia:** After providing financing to the biosecurity and food safety company in 2022, Partners Group made several engagements with the sponsor on refinancing the capital structure of the company. As debtholders, Partners Group engaged with Kersia regarding the firm's ESG strategy and targets. In Q3 2023, management updated lenders on the firms ongoing ESG practices. The key priorities were stated as the reduction of water consumption, recycling plastic packaging, and the safety and wellbeing of employees.
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	**Ecom Express Private Limited:** Partners Group engaged with Ecom Express, one of India's largest logistics business, regarding its carbon emissions, specifically on those produced by its fleet of transport vehicles. Partners Group worked with the Company to introduce a reliable GHG emissions accounting system, and they have since worked with Ernst & Young to measure Scope 1 and 2 emissions for 2022 in line with Partners Group recommendations

engagements. We are working with members of their working group to see how private markets information can best be captured in the future.	for best practice. Ecom Express have now pledged to externally assure and reduce their emissions on an annual basis. At the time of preparing this report, Ecom Express is looking into the use of compressed natural gas and electric vehicles and aim to implement a comprehensive decarbonisation plan once evaluations are complete.

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 2023, 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:** 847 **Proposals voted:** 847 **Voted with management:** 779 **Voted against management:** 42 **Abstained from voting:** 25	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%. Due to the nature of the private markets fund, the direction of the votes are not applicable. Examples of significant engagements include: **Emeria:** As Partners Group control the board, the vote direction was not applicable. The company's board and management have committed to Partners Group's Sustainability Strategy through introducing the "Bien + durable (more sustainable housing)" plan. A materiality assessment was conducted at the beginning to identify key sustainability risks which then created a roadmap for Emira's ESG plan. Some of the key pillars include improving the environmental performance of the property they manage, guaranteeing a safe working and living environment and understanding current societal transformations, and becoming a trusted partner to local communities. Partners Group will continue to monitor Emira's	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. - 98% of votes enacted by the proxy agent were in line with the recommendation.

alignment and commitment to Partner Group's Sustainability Strategy.

Gren:

As Partners Group control the board, the vote direction was not applicable. In line with Partners Group Sustainability Strategy, they appointed 'ESG Responsibles' at the board, executive, and leadership levels within 100 days. A key focus for the company is to reduce their carbon footprint and decarbonise operations through implementing a GHG reduction strategy. Following recommendation by Partners Group, Gren worked with Ernst & Young to develop a GHG accounting system for Scope 1 and 2 emissions with targets to reduce emissions by 73% by 2030 and increase renewable energy production to over 90% by 2030. Another key focus is safe working conditions with no cases of work-related illnesses, accidents, or fatalities.

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