Implementation Statement – wording for accounts

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 Whyte and Mackay Pension Scheme (the "Scheme") continues to follow and act on the principles outlined in the Statement of Investment Principles ("SIP").

The SIP can be found online at the web address: [sip-whyte-and-mackay-april-2024-final.pdf (wmpensions.co.uk).]()

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 30 September 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

- The Trustees reviewed the Scheme's investment strategy at the December 2023 Trustee meeting and agreed to reduce the LGIM cash allocation and re-deploy capital into M&G Multi-Asset Credit, increasing the strategic target to 25%. The Trustees also agreed to top up the LGIM Absolute Return Bond ("ARB") allocation, in line with the existing 15% strategic target, to support the LDI portfolio and further enhance the Scheme's LDI collateral position. Both actions were implemented in two phases over February and May 2024.
- At the March 2024 Trustee meeting, the Trustees agreed to revise the liability hedging target from 100% of interest and inflation movements to c.105% (on the Technical Provisions basis) to align with the Scheme's funding position. The Trustees also agreed to reduce the Scheme's allocation to LGIM Corporate Bonds (from 15% to 10%) to fund the increase in the liability hedge. The revised liability hedge was implemented in September 2024.

Implementation Statement

This report demonstrates that the Whyte & Mackay Pension Scheme have 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	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.	The Trustees will seek to hedge 100% of this risk and to increase the level of hedging in line with the Scheme's funding level (as measured on a Technical Provisions basis) if this is higher.	The Trustees increased the liability hedging target in line with the Scheme's funding level over the reporting year (to c.105% on the Technical Provisions basis). The liability hedging target is outlined in the April 2024 SIP.
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 topped up the LGIM ARB allocation over the reporting period to further bolster the liquidity available with LGIM. Post-year end, at the December 2024 Trustee meeting, the Trustees reviewed the Scheme's LDI collateral framework and agreed to introduce an allocation to Asset-Backed Securities ("ABS") to diversify the Scheme's collateral pool. The Trustees review the Scheme's collateral position regularly as part of quarterly monitoring and now include a 'Collateral Management Policy' in the SIP. The LGIM ABS allocation will be reflected in the next SIP update.
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 Trustees agreed to a number of strategic and manager changes over the year in response to market conditions. These changes have been outlined in the previous section. The strategic changes made over the reporting

			year are outlined in the April 2024 SIP.
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.	The allocation to credit assets remains diversified in terms of number of managers and credit sub-asset classes, providing increased diversification of default risk
Environmental, Social & 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: 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	The ESG policy was reviewed by the Trustees as part of the SIP update in April 2024. The Trustees updated the SIP over the reporting year to include the Scheme's 'Voting and Engagement Policy'. These changes are reflected in the April 2024 SIP.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Mitigate currency risk where applicable to minimise the impact of fluctuating exchange rates.	
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 to 30 September 2024, the Trustees made a number of changes to the SIP.

The updated SIP reflects changes made to the investment strategy, including the revision of the liability hedge to hedge c.105% of inflation and interest rate movements (on the Technical Provisions basis) to align with the Scheme's funding position. The Trustees also revised the strategic benchmark by removing the equity and diversified growth allocations, increasing the allocation to M&G Multi-Asset Credit and LGIM Absolute Return Bonds, and rebalancing the remaining asset classes to reflect changing market conditions since the previous SIP update.

Additionally, the SIP was updated to reflect recent regulatory requirements, including engagement, voting and collateral management policies.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Scheme's managers' ESG policies and procedures.

The Trustees intend to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

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.

Engagement

As the Scheme invests via pooled funds managed by various investment managers, each manager has provided details on their engagement activities, including a summary of the engagements by category over the Scheme's reporting year to 30 September 2024.

Fund name	Engagement summary	Commentary
CBRE UK Osiris Property Fund	Total Engagements: 6 Number of entities engaged: 3 Environmental: 6	As the Fund is currently winding down, CBRE has limited engagement with the underlying investments in the portfolio. CBRE engaged with all remaining underlying funds in the Osiris portfolio following a review CBRE's Sustainability Scorecard. CBRE identified potential areas for improvement and how these could be improved, including building certifications, net zero carbon targets, Global Real Estate Sustainability Benchmark ("GRESB") performance and utility data coverage. CBRE believe the underlying funds provided sufficient responses regarding what measures they would be undertaking to improve ESG performance.
M&G Total Return Credit Investment Fund	Total engagements: 12 Number of entities engaged: 11 Environmental: 9 Social: 2 Governance: 1	M&G have a systematic approach to engagements whereby specific objectives are outlined in advance and results measured based on the outcomes from the engagements. M&G analysts are expected to have a more granular awareness of key ESG risks which impact the individual issues they monitor. Where engagement is deemed to be necessary, analysts engage with issuers supported by M&G's Corporate Finance & Stewardship ("CF&S") Team, allowing them to leverage their expertise and sustainability themes. Examples of significant engagements include: ING GROEP NV – M&G made a number of requests to ING to allow M&G to track and measure progress more effectively. Requests included additional

		scope 3 reporting, encouraging net zero commitments and continuing CDP disclosures - which the company had stopped completing. Following the engagement, INV completed their CGP disclosure, leading M&G to rate the outcome of the engagement as 'green'. Westlake Corp. – M&G engaged with Westlake, a North American chemical company, to set a net zero target for scope 1, 2 and 3 emissions, verified by SBTi. M&G also engaged with the company to increase its scope 1 and 2 reduction targets for 2023, from 20% to 30%, and to begin disclosing scope 3 emissions. Westlake explained that a net zero target could not be committed to until a plan had been developed on how to achieve the goal. The company is working with SBTi and thinking ahead to next steps -once they have reached the 20% reduction. M&G rated this engagement outcome as 'Red' and will continue engaging with Westlake once their sustainability report is published.
Partners Group Private Market Credit Strategies ('PMCS') 2020 Fund	Total engagements: 7 Number of entities engaged: 7 Strategy, Financial and Reporting: 5 Environment, Social and Governance: 2	Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as lenders they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks. An example of a significant engagement includes: Access Group – Partners Group engaged with the company following a case of fraud to lenders that was linked to the actions of an employee. Access Group confirmed the employee was no longer working for them

		and that legal proceedings had been launched. The company engaged an external advisor to review the case and they did not discover any broader issues. Access Group have implemented additional governance procedures.
LGIM Corporate Bond Fund (passive)	Total engagements: 64 Number of entities engaged: 24 Environment: 58 Social: 13 Governance: 23 Other: 30	LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engage with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based. LGIM currently do not provide examples of their engagement activities at Fund level.
LGIM Absolute Return Bond Fund	Total engagements: 416 Number of entities engaged: 209 Environment: 291 Social: 96 Governance: 140 Other: 80	
LGIM Sterling Liquidity Fund	Total engagements: 42 Number of entities engaged: 24 Environment: 36 Social: 3 Governance: 11 Other: 1	
LGIM LDI Portfolio	LGIM were unable to provide engagement data for the reporting period.	

Notes: For some managers, total engagements do not sum up, as a number of engagements are related to a combination of E,S and G issues.