



Aylesford Newsprint Pension Plan

Implementation Report

Plan year-end 23 February 2024

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as Environmental, Social and Governance (ESG) factors become 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.

Statement of Investment Principles ('SIP')

The SIP has been updated to reflect actions taken by the Trustees over the reporting period. The latest version can be found online at the following web address: <https://schemes.vidett.com/aylesford/>

Implementation Report

This implementation report is to provide evidence that The Aylesford Newsprint Pension Plan (the Plan) continues to follow and act on the principles outlined in the SIP.

The Implementation Report details:

- Actions the Plan 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 Plan 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 23 February 2024 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

Summary of key actions undertaken over the Plan's reporting year to 23 February 2024

The Trustees purchased a buy-in policy in late 2023 to insure the Plan's member benefits. Residual assets are invested with LGIM across LDI, Synthetic Credit and Cash funds.

Implementation Statement

This report demonstrates that the Plan has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Signed on behalf of the Trustees of the Aylesford Newsprint Pension Plan

Date 18 September 2024

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 Plan's assets and present value of liabilities from changes in interest rates and inflation expectations. | To broadly hedge these risks relative to the Plan's funding level. | The Plan has implemented an insurance policy buy-in which covers the Plan's remaining liabilities. There are a small amount of residual assets which are invested in assets which broadly hedge the liabilities. |
| 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. | The Plan's residual assets hold a sufficient allocation to liquid assets. |
| 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 Plan's remaining assets being held alongside the insurance policy are invested in low-risk assets. |
| 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 Plan for the risk of default. | The Plan retains some exposure to credit indices which are diversified in terms of underlying issuers as well as being investment grade rated. |
| Environmental, Social and Governance | Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the | To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: | No actions to report – given the proximity of the Plan's journey plan to buy-out, the Trustees have maintained their current approach to ESG factors. |

| | | | |
|---------------|---|---|---|
| | performance of the Plan's investments. | <ol style="list-style-type: none"> 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 6. UK Stewardship Code signatory <p>The Trustees monitor the managers on an ongoing basis.</p> | |
| Currency | The potential for adverse currency movements to have an impact on the Plan's investments. | Hedge all currency risk on all assets that deliver a return through contractual income. | No actions to report. |
| Longevity | Members of the Plan living longer than expected, leading to a larger than expected liability. | To hedge this risk through the purchase of buy-in policies. | The liabilities are covered by an insurance policy. |
| Non-financial | Any factor that is not expected to have a financial impact on the Plan'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

The SIP has been updated post the reporting year end to reflect the purchase of the buy-in policy covering the Plan's liabilities.

Over the reporting year, the Trustees also added the following policies in relation to the investment management arrangements for the Plan:

Policies added to the SIP

Date updated: August 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 Plan's investment manager 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 Plan's investment manager on their behalf.

Example stewardship activities that the Trustees have considered are listed below.

- Selecting and appointing asset and fiduciary managers – the Trustees will consider potential managers' stewardship policies and activities
- Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers. The results of this analysis may feed into the Trustees' investment decision making
- Collaborative investor initiatives – the Trustees will consider joining/supporting collaborative investor initiatives.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regards to ESG as a financially material risk.

The Trustees acknowledge the importance of Environmental, Social and Governance (ESG) factors. As the majority of the assets are invested in the buy-in policy, there is limited scope for the Trustees to incorporate ESG into the Plan's investment strategy.

Engagement

The Plan invests its assets via pooled funds with Legal & General Investment Management (LGIM).

| Manager and Fund | Engagement Summary | Commentary |
|--|--|--|
| LGIM – Synthetic Leveraged Credit Fund | LGIM were unable to disclose the number of engagements for the reporting period. | 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 – Sterling Liquidity Plus Fund | | LGIM noted that enhanced ESG counterparty reporting is a priority for delivery to clients and they are having internal discussions around how best to present this information in a meaningful way. LGIM provided examples of their current thinking around this, detailing the LGIM ESG scores and counterparties highlights. |
| LGIM -Matching Core Fixed Long | | However, LGIM were not able to provide any examples of significant engagements related to the Plan’s funds. |
| LGIM - Matching Core Real Long | | |

Voting

The Plan's mandates do not have voting rights attached to their investments. As a result, there is no voting data to report.