



# Atlas Ward Pension Scheme Implementation Statement

July 2022

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# 1. Introduction

## Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an Implementation Statement, which will be updated annually.

## Statement of Investment Principles (SIP)

There were no updates to the SIP in the year to 5 April 2022. The latest version of the SIP can be found online using the following link:

[Atlas Ward SIP](#)

## Implementation Statement

This Implementation Statement documents the ways in which the Trustees follow and act on the principles outlined in the SIP. The statement covers the 12-month period to 5 April 2022 and includes:

- Actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP. This Section also details any changes the Trustees have made to the investment strategy in the previous 12 months and the relevance of such changes to the agreed investment policies,
- The current policy and approach with regards to ESG,
- The extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest, and
- Voting behaviour covering the reporting year up to 31 March 2022 (due to availability of information) for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

## Summary of key strategic changes undertaken by the Scheme

- The Trustees made no significant changes to the investment strategy during the year ending 5 April 2022.

## Adopted by the Trustees

July 2022

## 2. Changes to the SIP

There have been no significant changes to the SIP over the 12-month period to 5 April 2022 as there were no changes to the Plan's strategic asset allocation.

# Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions taken during the year
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 target a hedge up to funded liabilities.	To manage interest rate and inflation risk, the Scheme has an LDI mandate in place, which hedges broadly up to funded liabilities. This mandate is monitored on an ongoing basis with a more detailed review periodically such as in conjunction with the Triennial Actuarial Valuation.
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).	The Scheme maintains a 45% target allocation to the Newton Real Return Fund (Diversified Growth Fund), which is a liquid asset (the Fund is daily dealt).
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where affordable and practicable.	The Scheme's investment strategy, which was updated in 2019, is monitored on an ongoing basis as part of regular performance reporting. The investment strategy aims to reduce interest rate/inflation risk and increase diversification, thus managing market risk more effectively.  <b>The asset allocation changes were reflected in the Investment Implementation Document ("IID") which was updated in September 2019.</b>
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.	c.15 % of total Scheme assets are invested with the M&G Alpha Opportunities Fund (Absolute Return Bonds). M&G invest in both public and private credit and a range of different credit instruments.

<b>Environmental, Social and Governance</b>	<p>Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.</p>	<p>The Trustees will monitor the ESG policies of the appointed investment managers.</p>	<p>More details of the ESG policy and how it was implemented are presented in Section 4 of this report.</p>
<b>Currency</b>	<p>The potential for adverse currency movements to have an impact on the Scheme's investments.</p>	<p>To invest largely in GBP share classes where possible to eliminate direct currency risk.</p>	<p>All the Scheme's investments are in GBP share classes.</p>

# 3. 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 the Scheme’s current ESG policy, while the following page outlines the areas Isio have used when evaluating the Scheme’s managers’ ESG policies and procedures. The rest of this statement details an evaluation of the engagement and voting activity.

## Current Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social and Governance factors and the exercising of rights and engagement activity	<ul style="list-style-type: none"><li>• The Trustees’ investment managers provide reports on how they have engaged with issuers regarding social, environmental, and corporate governance issues.</li><li>• Through the manager selection process, ESG considerations will form part of the evaluation criteria.</li></ul>	<ul style="list-style-type: none"><li>• The manager has not acted in accordance with their policies and frameworks.</li><li>• The manager’s policies are not in line with the Trustees’ policies in this area.</li></ul>

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## Areas of assessment

The table below outlines the areas on which the Scheme's investment managers are assessed by Isio when evaluating their ESG policies and engagements.

<b>Risk Management</b>	<ol style="list-style-type: none"><li>1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme.</li><li>2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustees.</li></ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"><li>3. The Trustees should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.</li><li>4. ESG factors are relevant to investment decisions in all asset classes.</li><li>5. Managers investing in the debt of a company/project/asset, as well as equity, have a responsibility to engage with management on ESG factors.</li></ol>
<b>Reporting &amp; Monitoring</b>	<ol style="list-style-type: none"><li>6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.</li><li>7. ESG factors are dynamic and continually evolving; therefore the Trustees will receive training as required to develop their knowledge.</li><li>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.</li></ol>
<b>Voting &amp; Engagement</b>	<ol style="list-style-type: none"><li>9. The Trustees will seek to understand each asset manager's approach to voting and engagement when reviewing the asset manager's approach.</li><li>10. Engaging is more effective in seeking to initiate change than disinvesting.</li></ol>
<b>Collaboration</b>	<ol style="list-style-type: none"><li>11. Asset managers should sign up and comply with common codes and practices such as the UNPRI &amp; Stewardship code. If they do not sign up, they should have a valid reason why.</li><li>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.</li></ol>

# Appendix A - Engagement

As the Scheme invests via pooled funds managed by external fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2022 (rather than 5 April 2022 due to availability of data).

Fund name	Engagement summary	Commentary
<p><b>LGIM LDI Funds</b></p>	<p>LGIM has continued to engage with a number of industry participants on long term strategic issues in relation to LDI.</p>	<p>LGIM leverages the wider capabilities of the global firm to engage with companies. The team also regularly engages with regulators, governments, and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.</p> <p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds.</p>
<p><b>Standard Life Pooled Property</b></p>	<p>Total Engagements: 4            Environmental: 2            Social: 2            Governance: 0</p> <p>Note: figures above represent new engagements, a number of engagements from previous years remain ongoing.</p>	<p>Due to the nature of most of the leases within a Pooled Property Fund, Standard Life can only engage with the tenants of the assets which are held in the Fund, and their overall influence as a landlord is limited. They maintain dialogue with all occupiers, and as part of this ESG-related behaviours are encouraged.</p> <p>Examples of significant engagements include:</p> <ul style="list-style-type: none"> <li>- Smarter Technologies – Standard Life have engaged with Smarter Technologies who are currently working on a proposal to install smart meters into the Fund's void units. The next priority will be to highlight the big consumers within the portfolio and engage with them to install smart meters and assist in the gathering of consumption information.</li> <li>- JLL – All of Fund assets have undergone assessment using Standard Life's proprietary Impact Dial framework. The Team is currently updating material ESG targets which will inform the ESG programme within the portfolio, ensuring appropriate action is planned to make the portfolio future fit.</li> </ul>

**M&G Alpha Opportunities Fund**

Total Engagements: 16  
Environmental: 12  
Social: 1  
Governance: 3

M&G's activities are consistent with their ESG policies, and they have a systematic approach around engagements in which specific objectives are outlined in advance and measured based on the outcomes from the engagements.

Examples of significant engagements include:

- Engie – M&G engaged with Engie, a French multinational electric utility company on its plans for the period post 2030 to Net Zero in 2045. Engie announced that it was going to build capacity for 80GW of renewables by 2030 and then accelerate renewable supply further. Engie sees huge demand in renewables, and gas will be part of the transition – the company will convert its coal plants to gas and all gas will become green by 2045.
- Infineon Technologies – After M&G engaged with the company regarding whether they could adopt science-based targets, the company confirmed that it already adopted a 1.5°C pathway without formally incorporating SBTi targets, and that it was looking into what the reporting/cost implications were of formally adopting SBTi targets. The company said it appreciated investor opinion, and would keep M&G up to date on what its cost/benefit analysis showed.
- Royal Dutch Shell – M&G engaged with the managing director of the Nigerian team. to gather information following oil spills and a UN Global Compact Red Flag as ascribed by a third party data provider. Shell is working hard to improve the situation in Nigeria following the oil spill, and have been making progress on total volume of spills over recent times.

**BNYM (Newton) Real Return Fund**

Total Engagements: 56  
Note: Newton did not split the total engagements by Environmental, Social and Governance categories.

Newton has a clear due diligence and engagement framework in place and a track record of engaging with companies to encourage disclosure of ESG factors.

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Examples of significant engagements include:

- Bayer – Newton met with the company to continue discussions on previously raised concerns on the structure of long-term incentive awards, which allowed them to vest even when the share price had underperformed.
  - Nestlé – Newton, as part of the collaboration with ShareAction, participated in a call with the company to understand its strategy in relation to product health and nutrition. Newton believes the company considers environmental and social issues in a holistic and pragmatic way.
  - Prudential – The board chair requested a meeting with Newton to discuss extending the tenure of the senior independent director by one year to ensure stability in the board transition. Newton noted the board has demonstrated a well-planned evolution over the last year with further changes planned.
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# Appendix B - Voting

As the Scheme invests via pooled funds managed by external fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year to 31 March 2021 (rather than 5 April 2021 due to availability of data). The managers also provided examples of any significant votes. Please note, this is only applicable to the Newton Real Return Fund.

Fund name	Voting summary	Examples of significant votes	Commentary
BNYM (Newton) Real Return Fund	Meetings eligible to vote at: 98	Examples of significant votes include:	Newton publicly discloses all their responsible investment activities relating to voting and any potential conflict of interest which could arise. In the event of a conflict of interest the recommendation of the voting service provider will take precedence.
	Resolutions eligible to vote on: 1476	Citigroup Inc- voted in favour of one shareholder resolution that management recommended voting against. This was in relation to improving minority shareholder rights by way of providing shareholders with access to propose directors for election to the company's board.	
	% Resolutions voted on which they were eligible: 99.2%		Newton utilises Institutional Shareholder Services ("ISS") for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings.
	% Voted with management <sup>1</sup> : 83.9%		
	% Voted against management <sup>1</sup> : 16.1%	CME Group Inc.- voted against the executive officers' compensation arrangements owing to a significant proportion of the long-term pay awards not being subject to performance. In light of this, also voted against the members of the compensation committee.	
	<sup>1</sup> Of resolutions on which Fund voted'		
		ConocoPhillips- voted against the remuneration report owing to a significant proportion of the long-term pay awards not being subject to the achievement of performance hurdles. Newton also voted against the appointment of the company's auditor given that it had been in place since 1949, raising concerns regarding the firm's ability to act objectively and independently.	

