

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 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 [here](#), and changes to the SIP are detailed on the following page.

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 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 31 December 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

During the reporting period, the Trustee made changes to the Scheme's collateral framework. In Q1 2024 the Trustee decided to introduce a new Absolute Return Bonds (ARB) mandate with Legal & General (LGIM) into the portfolio, serving as a supporting collateral asset for the LDI portfolio.

In Q4 2024 the hedge ratio was increased from c. 60% to c. 80% of liabilities on a Low Dependency basis funded from the Passive Global Equity allocation, in order to lock in funding level gains and reduce interest rate and inflation risk to the Scheme.

Post year end, the Trustee made an investment into the LGIM US Securitised Credit Fund to add Asset Backed Securities ('ABS'). This move aimed to maintain the Scheme's strong liquidity position whilst enhancing returns. Secondly, in Q1 2025, the hedge ratio was increased further to 95% on a Low Dependency basis resulting in a full redemption from the Passive Global Equity portfolio. The Scheme also updated its Statement of Investment Principles to account for the changes in the investment strategy.

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Conclusion

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

Signed: Aircelle Pension Scheme Trustees Limited

Date: 01 July 2025

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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.	To hedge both directly and indirectly interest rate and inflation risk where it is deemed appropriate and affordable to so.	The Trustee de-risked the portfolio by increasing the hedge ratio from 60% to 80% of liabilities on a Low dependency basis. Post year end the hedge was increased to 95% on the same basis.
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 Trustee’s decision to include ABS and ARB within the collateral framework has enhanced the Scheme’s liquidity, providing diversified and high-quality collateral to support the LDI portfolio.
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.	
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.	
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:	Further detail provided later in this report.

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	<p>the Scheme's investments.</p>	<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 <p>The Trustee monitor the managers on an ongoing basis.</p>
<p>Currency</p>	<p>The potential for adverse currency movements to have an impact on the Scheme's investments.</p>	<p>Hedge all currency risk on all assets that deliver a return through contractual income.</p> <p>Hedge currency risk where possible for non-contractual return generating assets, with the exception of any active manager strategies that chose not to hedge currency exposures.</p>

Changes to the SIP

There were no changes to the SIP over the period (i.e. in calendar year 2024). The SIP was updated post year-end in May 2025, and the changes made will be reported in the 2025 Implementation Statement.

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. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Scheme’s ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Risk Management	<ol style="list-style-type: none"> Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee
Approach / Framework	<ol style="list-style-type: none"> The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. ESG factors are relevant to investment decisions in all asset classes. Managers investing in companies’ debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> Ongoing monitoring and reporting of how asset managers manage ESG factors is important. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop their knowledge. The role of the Scheme’s asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers’ investment decisions.
Voting & Engagement	<ol style="list-style-type: none"> The Trustee will seek to understand each asset managers’ approach to voting and engagement when reviewing the asset managers’ approach. Engaging is more effective in seeking to initiate change than disinvesting
Collaboration	<ol style="list-style-type: none"> 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. 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

Manager, fund	ESG Summary	Actions identified
LGIM – Absolute Return Bond Fund	LGIM have a strong approach to Stewardship and Collaboration and are members of 50+ ESG initiatives and networks. The fund has a clear, forward-looking quantifiable ESG objective (decarbonisation target). The Fund also aligns with the Net Zero Investment Framework’s guidance on decarbonisation	<p>We encourage the manager to:</p> <ul style="list-style-type: none"> • Introduce a formal ESG training program with defined priorities. • Consider developing connections with leading academic institutions to develop robust risk management frameworks. <p>At a Fund level:</p> <ul style="list-style-type: none"> • Engage with more issuers in the fund on an annual basis (currently <33% of issuers). • Utilise third parties to independently verify ESG data reporting.
LGIM –World Equity Index Fund	LGIM have a strong approach to Stewardship and Collaboration and are members of 50+ ESG initiatives and networks. They have clear, forward looking ESG objectives within the Fund and have a set of exclusions, but also tilt towards companies that prioritise ESG factors. A scorecard is also utilised in decision making.	<p>We encourage the manager to:</p> <ul style="list-style-type: none"> • Introduce a formal ESG training program with defined priorities. • Consider developing connections with leading academic institutions to develop robust risk management frameworks. <p>At a Fund level:</p> <ul style="list-style-type: none"> • Have their ESG metrics and data independently verified. • Consider reducing the exclusion threshold for revenue from coal. • Incorporate social, nature & biodiversity objectives, and related metrics into the process.
LGIM - LDI	LGIM have strong firm-level policies (e.g. net zero commitment by 2050). LGIM embeds ESG within their counterparty review process for LDI funds via their Active ESG tool & engaging with counterparties. However, the LDI funds do not have	<p>We encourage the manager to:</p> <ul style="list-style-type: none"> • Introduce a formal ESG training program with defined priorities. • Consider developing connections with leading academic institutions to develop robust risk management frameworks.

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	any explicit ESG objectives.	<p>At a Fund level:</p> <ul style="list-style-type: none"> We encourage the manager to consider expanding the approach to assessing green glits to complement a relative value assessment in order to create positive externalities within the funds.
BlackRock – Dynamic Diversified Growth Fund	<p>BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They also collaborate with initiatives and institutions on ESG risks. They utilise an ESG scorecard and tools such as Aladdin, MSCI, and Sustainalytics to identify ESG Risks. However, the Fund have no explicit ESG objectives though informally looks to deliver an aggregate score better than an ESG comparator.</p>	<p>We encourage the manager to:</p> <ul style="list-style-type: none"> Introduce formal firm-level stewardship objectives within their ESG policy. Commit to a Net Zero target, with meaningful interim targets. Reconsider position in relation to CA100+ and NZAMI membership. <p>At a Fund level:</p> <ul style="list-style-type: none"> Provide details and outcomes of its engagement activities within the engagement data provided. Provide examples of ESG risks being captured in due diligence. Include ESG metrics as part of regular reporting at the Fund level.
Apollo – Total Return Fund	<p>Apollo have a well-resourced and dedicated sustainability team and platform. They have published firm-level ESG and engagement policies, as well as a high-level engagement priorities and escalation approach. Within the Fund, a scorecard is used to apply their ESG risk framework consistently and a detailed quarterly ESG report is produced for the Fund. However, the Fund has no direct ESG objectives, nor a formal exclusions list.</p>	<p>We encourage the manager to:</p> <ul style="list-style-type: none"> Publish a Net Zero commitment and agree interim targets as well as diversity & inclusion targets. Consider further collaborative initiatives including NZAMI, CA 100+, and UK Stewardship Code. <p>At a Fund level:</p> <ul style="list-style-type: none"> Develop ESG objectives for the Fund, including formalising an exclusions policy. Increase engagement coverage. Improve GHG emissions data coverage for TCFD reporting.
M&G – Total Return Credit Investment Fund	<p>M&G have strong firm-level policies (e.g. net zero commitment by 2050 covering all AUM). They also can now model various climate scenarios. Their firm-level stewardship is strong but only focuses on climate change. However, there is</p>	<p>We encourage the manager to:</p> <ul style="list-style-type: none"> Include nature and social factors in stewardship priorities. Enhance collaboration with academic institutions to develop risk management frameworks.

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	<p>no fund-level ESG policy and the fund-level engagement activity with portfolio issuers is limited. A detailed fund-level sustainability report is also not produced.</p>	<p>At a Fund level:</p> <ul style="list-style-type: none"> • Establish and report on fund-level ESG objectives. • Improve and report on active engagement with issuers across climate, social and biodiversity factors.
<p>M&G – Secured Property Income Fund</p>	<p>M&G have a strong approach to Stewardship in relation to climate change and diversity. The Fund has strong carbon objectives including aims for operational carbon to be net zero by 2050. Additionally, the Fund has specific objectives under social benefits and physical risks are also considered. M&G were unable to provide Scope 1 & 2 emissions due to lack of clarity of tenant activities</p>	<p>We encourage the manager to:</p> <ul style="list-style-type: none"> • Consider including nature as a stewardship priority. • Enhance collaboration with leading academic institutions to develop risk management frameworks. <p>At a Fund level:</p> <ul style="list-style-type: none"> • Develop an approach to estimate carbon footprint. • Develop asset level ESG goals.

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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 31 December 2024.

Fund name	Engagement summary	Commentary
LGIM – Absolute Return Bond Fund	Total engagement: 392	<p>LGIM's Absolute Return Bond Fund has a strong track record of investing in active UK investment grade corporate bond strategies. The fund actively considers ESG risks within the investment process and engages with portfolio companies to ensure the Fund aligns with firm-wide ESG policies.</p> <p>Example of significant engagements include:</p> <p>Volkswagen - LGIM engaged with Volkswagen (VW) following scrutiny of its operations in Xinjiang, China, after MSCI flagged the issue as a controversy in 2022. Although VW resolved the MSCI flag through a 2023 audit, criticism persisted over the audit's limitations and the company's regional presence. LGIM's engagement initially emphasised risks to VW's bond market access before shifting focus to securing a permanent resolution. In 2024, VW signalled plans to address the issue, culminating in the November 2024 sale of its Xinjiang plant to a joint venture partner, effectively removing its operational responsibility and de-risking future exposure without disrupting strategic goals. LGIM attributes the urgency of the resolution to sustained stakeholder pressure, including engagements up to the executive level, such as the CFO. With the divestment complete, LGIM considers the matter resolved and anticipates no further engagement on this issue.</p>
	Total engagement: 1833	<p>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.</p> <p>Example of significant engagements include:</p> <p>Shell plc - LGIM voted against Shell's Energy Transition Strategy at the 2024 Annual General Meeting ('AGM'), having done so annually since</p>

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		<p>2021. While acknowledging Shell’s progress (e.g. emission reduction pledges, methane commitments, and halting frontier exploration post-2025), LGIM raised concerns over revised Net Carbon Intensity (NCI) targets and plans to expand gas/LNG operations this decade, which they argue lack alignment with a 2050 net-zero pathway. Despite 11 engagements in 2024 (including with senior leadership), LGIM concluded Shell’s strategy fell short of their climate objectives. Post-AGM, LGIM continues to collaborate with CA100+ and engage Shell to strengthen disclosures and targets, deeming these objectives “in progress”.</p>
<p>LGIM – LDI</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 consider ESG as essential for all funds, including LDI. Specifically, ESG is integrated into their LDI approach on a top-down and bottom-up basis. LGIM engage with regulators, governments, and other industry participants to address long-term structural issues. This is done alongside LGIM’s analysis of ESG-related criteria, in the assessment of counterparties through LGIM’s proprietary ESG tools.</p>
<p>BlackRock – Dynamic Diversified Growth Fund</p>	<p>Total engagement: 2138</p>	<p>BlackRock engage with their companies through the BlackRock Investment Stewardship (BIS) team in order to provide feedback and inform their voting decisions. These engagements largely relate to the Fund’s equity positions only.</p> <p>Example of significant engagements include:</p> <p>Tesla – BlackRock opposed James Murdoch’s re-election to Tesla’s board, citing concerns over the board’s independence, decision-making, and oversight of management. A key issue was the formation of a one-director Special Committee (per court guidance), which BIS argued highlighted potential conflicts of interest among other directors. BIS stressed that a majority-independent board is critical for objective governance, noting independence can be compromised by personal/professional ties.</p>
<p>Apollo – Total Return Fund</p>	<p>Total engagements: 278</p>	<p>Apollo takes a top-down and bottom-up, collaborative approach to ESG engagement and currently has four key engagement pillars:</p> <ul style="list-style-type: none"> - Transparency and Disclosure - Finance the Energy Transition - Thematic Engagement - Value Creation <p>Apollo provided a firm wide ESG policy document that sets out its approach to ESG issues, sustainability, and progress towards achieving goals. These include specific goals in respect to Apollo’s sustainable investing platform that targets deploying capital in</p>

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		<p>investments specific to the energy transition and decarbonisation.</p> <p>Examples of significant engagements include:</p> <p>Intel - In 2024, Apollo-led funds invested \$11bn for a 49% stake in Intel's Fab 34 semiconductor facility via a joint venture. The deal, recognised under Apollo's Climate and Transition Investment Framework for its decarbonisation impact, involved due diligence on Fab 34's environmental initiatives.</p> <p>During due diligence, Apollo assessed how Fab 34 supports Intel's decarbonisation goals, including its use of energy-efficient EUV lithography, heat recovery systems, renewables, waste recycling, and water conservation. Intel provided Fab 34's LEED Gold certification, validating these efforts. Given Intel's history of sustainability disclosures, Apollo plans continued dialogue to track progress.</p>
<p>M&G – Total Return Credit Investment Fund</p>	<p>Total engagements: 216</p>	<p>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.</p> <p>Examples of engagements include:</p> <p>Capital One: Capital One was set to acquire Discover Financial Services which offers credit cards, student loans and banking services – at the end of 2024. As part of M&G's due diligence, they wanted to ensure that Capital One's sustainability credentials were of a similar calibre to Discover's and asked them to set emission reduction targets. Discover informed Capital One that they are in the second generation of estimating emissions, and that they would be publishing the number once it was confident was the calculations.</p>
<p>M&G – Secured Property Income Fund</p>	<p>Total engagements: 20</p>	<p>M&G Secured Property Income Fund is a property fund, investing in individual or portfolios of properties let to tenants on long leases. M&G as Investment Advisor and Asset Manager are engaging with tenants on behalf of the fund as landlord - rather than shareholder or bondholder.</p> <p>M&G has no direct capacity to influence their corporate strategy on ESG but are in regular direct contact about the SPIF assets that tenants occupy.</p>

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M&G regularly meet with SPIF’s tenants, including the larger operational portfolios such as Premier Inn, Tesco, and Unite which have their own ESG initiatives as part of their corporate strategy. ESG issues are always raised as these help with improving the GRESB rating.

This proactive approach enables M&G to understand whether an asset will have a material impact on fund ESG performance, so that appropriate actions can be included in the asset management plans for each asset to address areas of concern e.g. investing to improve energy efficiency. Annual asset plans incorporate measures to manage and/or improve Responsible Property Investment (RPI) performance. Actions will be prioritised according to each asset’s RPI impact and their ability as the landlord to influence this.

For example, SPIF is supporting David Lloyd in rolling out solar PV across its entire portfolio to meet its ambitious 2030 net zero carbon target. David Lloyd is funding the initiative given the energy cost saving benefit it will result in.

Voting (for equity/multi asset funds only)

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme’s investment managers on their behalf.

The Scheme’s fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2024.

Fund name	Voting summary	Examples of most significant votes	Commentary
LGIM –World Equity Index Fund	<p>Votable Proposals: 35,761* Proposals Voted: 35,668* For Votes: 28,224* Against Votes: 7,340* Abstain Votes: 103*</p> <p>*Figures may not sum up due to a variety of reasons, such as scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted in differing ways, or a vote of 'Abstain' is also considered a vote against management.</p>	<p>Microsoft - LGIM transparently shares its AGM voting decisions and rationales online, adhering to a policy of no engagement with companies three weeks prior to AGMs to maintain focus on broader governance issues. Regarding a governance-related shareholder resolution, LGIM voted FOR the proposal due to heightened legal and reputational risks linked to the company's data sourcing practices for training AI models. While acknowledging the company's robust disclosures on responsible AI, LGIM emphasised the need for improved management of third-party data usage risks. The firm commits to ongoing engagement, public advocacy, and monitoring of progress on this issue.</p>	<p>All decisions are made by LGIM's Investment Stewardship team and in accordance with their policy documents which are reviewed annually.</p> <p>LGIM's voting and engagement activities are driven by ESG specialists. Their voting policies seek to achieve the best outcome for all of their clients. These policies are reviewed annually and take into account feedback from their clients.</p>
BlackRock - Dynamic Diversified Growth Fund	<p>Votable Proposals: 6,550* Proposals Voted: 6,187* For Votes: 5,830* Against Votes: 265* Abstain Votes: 71* Withhold Votes: 11*</p> <p>*Figures may not sum up due to a variety of reasons, such as scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted in differing ways, or a vote of 'Abstain' is also considered a vote against management.</p>	<p>Alphabet Inc - BlackRock voted for Alphabet to report on climate risk in retirement plan options and to adopt policy to require board of director members to disclose their political and charitable donations.</p>	<p>BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals.</p>