



# MCL Group Limited Pension and Assurance Scheme ("the Scheme") Implementation Report

July 2025

# 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 [MCL SIP 202310 1.pdf \(itochu.com\)](#). There have been no changes to the SIP over the period.

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 31 March 2025 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 Scheme has fully redeemed all remaining assets from their Schroders (formerly R&M) holding, the proceeds of which were released as cash to the Trustee Bank Account. The final monies were received in August 2024, this was retained in the Trustee Bank Account to meet future member benefit payments.
- The Trustee completed a Sustainability Integration Assessment of the Scheme's Investment manager, L&G, which highlighted key areas of strength and improvement for the manager's ESG integration in their investment practices. The Trustee's investment consultant continues to monitor L&G from an ESG perspective and provide annual updates.
- In Q3 2024, the Trustee conducted a review of the Scheme's investment strategy. Following the review, the Trustee agreed to update the Scheme's hedge to reflect the results of the 2023 Actuarial Valuation and increase the hedge from an initial target of c.100% of assets to 100% of liabilities on the Scheme's Technical Provisions basis. Following the end of the reporting period, the Scheme's Statement of Investment Principles ("SIP") and Investment Implementation Document ("IID") will be updated to reflect the updates to the strategy.

## Implementation Statement

This report demonstrates that MCL Group Limited Pension and Assurance Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change over the 12 months to 31 March 2025.

**Amanda Osborne**  
**Trustee Director**  
**16 July 2025**

# Managing risks and policy actions DB

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's assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustee aims to hedge this risk both directly and indirectly where appropriate and affordable through an allocation to Liability Driven Investments ('LDI') with a c.100% asset hedge target.	The Trustee increased the Scheme's hedge from 100% of assets to 100% of liabilities, on the Technical Provisions basis, to de-risk the Scheme and protect its surplus position on this basis.  The SIP will be updated to reflect the updated hedge target following the report end date.
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.	No actions or changes to policy.
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.	No actions or changes to policy.
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 or changes to policy.
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 or changes to this policy.

	<p>performance of the Scheme's investments.</p>	<ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> <li>5. UN PRI Signatory</li> <li>6. UK Stewardship Code signatory</li> </ol> <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>To largely invest in GBP share classes where possible to eliminate direct currency risk. To largely invest with managers that hedge exposure to foreign currency risk in underlying holdings, except where active currency positions are held.</p>	<p>No actions or changes to policy.</p>

# Changes to the SIP

Over the period to 31 March 2025, the Trustee did not make any changes to the SIP. The most recent update was signed in October 2023.

# 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 polices. 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.

<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 Trustee</li> </ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"> <li>3. The Trustee 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 companies’ debt, 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 Trustee 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 Trustee 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 Trustee will seek to understand each asset managers’ approach to voting and engagement when reviewing the asset managers’ 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>

# ESG summary and actions with the investment managers

The Scheme completed a Sustainable Integration Assessment of the Scheme’s investment manager, L&G, and their integration of ESG factors in their risk management and due diligence processes over the 2024 Scheme Year in March 2025. The Scheme will again be assessing the Scheme’s ESG actions with investment manager(s) in Q1 2026.

Manager, Fund	ESG Summary	Actions identified	Engagement with manager commentary
<b>L&amp;G Matching Core LDI Funds</b>	<p>We believe that L&amp;G is actively committed to integrating ESG considerations into their Matching Core LDI fund range. L&amp;G actively incorporates ESG within their counterparty review process through their proprietary Active ESG tool. Their dedicated ESG team play a pivotal role in stewardship and responsible investment</p> <p>We find that at a firm level L&amp;G is strong in their approach to ESG, Stewardship, and Collaboration.</p>	<p>Isio would like to see L&amp;G introduce a formal ESG training program with defined training priorities and see better incentives, choice and encouragement to investors in the LDI fund range for using L&amp;G’s proprietary Active ESG tool to maximise engagement.</p> <p>Isio would also like to see L&amp;G consider expanding their assessment approach of “green” gilts.</p>	<p>Isio engaged with L&amp;G on the Scheme’s behalf and received feedback on previous actions:</p> <ul style="list-style-type: none"> <li>- L&amp;G now report GHG emissions data against 100% of gilt holdings, and are progressing towards 80% of all holdings</li> </ul>
<b>L&amp;G Diversified Fund</b>	<p>L&amp;G have clearly identified firm-wide sustainability goals and have a dedicated team responsible for engaging with portfolio companies.</p> <p>The Fund has a clear exclusions policy and utilises monitoring processes that consistently incorporate ESG risks in decision making.</p>	<p>Isio would like L&amp;G to establish measurable ESG objectives at fund level for the Diversified Fund.</p> <p>Isio would like L&amp;G to introduce ESG specialists that feed directly into decision-making and risk management processes and the introduction of fund specific ESG objectives and key</p>	<p>Isio engaged with L&amp;G on the Scheme’s behalf and received feedback on previous actions:</p> <ul style="list-style-type: none"> <li>- L&amp;G enhanced their capacity to meet Climate-related Financial Disclosure (“TCFD”) requirements. L&amp;G are able to report regularly on scope 3 weighted average carbon intensity (“WACI”), carbon footprint and total</li> </ul>

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	<p>Given the underlying philosophy of the Fund, it is limited in how far it can prioritise ESG however it is able to leverage L&amp;G's engagement platform.</p>	<p>performance indicators ("KPIs").</p>	<p>carbon emissions for the fund.</p> <ul style="list-style-type: none"><li>- The United Nations Principles for Responsible Investment ("UNPRI") score across all relevant asset classes has been upgraded to a 5.</li></ul>
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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 March 2025. Please note that not all categories sum to the number of total engagements, as some engagements covered more than one ESG area.

Manager, Fund	Engagement summary	Commentary
<b>L&amp;G Matching Core LDI Funds</b>	<p><i>Matching Core Fix Short</i>  <i>Matching Core Fix Long</i>  <i>Matching Core Real Short</i>  <i>Matching Core Real Long</i></p> <p>Total Engagements*: 72            Environmental: 38            Social: 4            Governance: 23            Other: 7</p> <p>*LGIM's engagements for the LDI funds counterparty engagements covering the year to 31 December 2024.</p>	<p>L&amp;G's engagement with counterparties is through their Investment Stewardship team, analysts, portfolio managers and traders.</p> <p>An example of engagement with counterparties was with Citigroup, a US-based investment bank.</p> <p>L&amp;G have advocated for cognitive diversity within portfolio companies, as they believe that a suitably diverse mix of skills, experience and perspectives is essential for teams to functions and perform optimally.</p> <p>L&amp;G have monitored and discussed the results of the company's racial equity audit, and have encouraged several next steps.</p> <p>L&amp;G have been engaging with Citigroup on this particular issue since 2016, and will continue their engagements with the bank and support shareholder proposals for racial equity audits as they arise.</p>
<b>L&amp;G Diversified Growth Fund</b>	<p>Total Engagements: 4,383            Environmental: 3,138            Social: 619            Governance: 421            Other: 205</p>	<p>L&amp;G's Investment Stewardship team manage the voting and engagement across all funds, leveraging all possible capital to maximise effectiveness.</p> <p>L&amp;G share their finalised ESG ratings/scorecards with companies, identifying which metrics are used, L&amp;G's key focus areas and suggestions to companies that could improve their score.</p>

# 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 March 2025.

The Trustee has adopted the managers definition of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant.

Manager, Fund	Voting summary	Examples of most significant votes
<b>L&amp;G Diversified Growth Fund</b>	<p>Voteable Proposals: 107,020</p> <p>Proposals Voted: 99.8%</p> <p>Proposal voted with management: 76.5%</p> <p>Proposals voted against management: 22.4%</p> <p>Abstain votes: 1.1%</p> <p>L&amp;G's Investment Stewardship team uses International Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote in line with L&amp;G's policies.</p> <p>All voting decisions are made by L&amp;G, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with L&amp;G's position on ESG, they put in place a custom voting policy with specific voting instructions.</p>	<p>Microsoft Corporation</p> <p>L&amp;G voted for a resolution to improve AI data sourcing transparency and accountability, in line with the belief that shareholders would benefit from enhanced risk management processes within the company's use of third-party information.</p> <p>L&amp;G acknowledged that the company has strong disclosure practices on its approach to responsible AI and related risk, however decided a vote for the resolution was warranted as the company is facing increasing legal and reputational risk associated with its data sourcing practices.</p> <p>The resolution was not passed. L&amp;G will continue to engage with investee companies and publicly advocate their view on the matter.</p> <p>Shell Plc.</p> <p>L&amp;G voted against the proposed Shell Energy Transition Strategy.</p> <p>L&amp;G expect climate transition plans to be both ambitious and credibly aligned to a 1.5C scenario. Whilst L&amp;G acknowledge the progress Shell has made in relation to climate-related disclosures, they believe that the company's ambition to grow its gas and LNG business, alongside revised Net Carbon Intensity targets, is not consistent with their net-zero emissions by 2050 target.</p> <p>The resolution was ultimately passed, however L&amp;G will continue to seek more transparency and clarity around the company's expansion plans and how they will ensure alignment with an orderly transition to net-zero emissions.</p>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.