



# Cape plc Staff Pension and Life Assurance Scheme

## Implementation Report

August 2025

# Background and Implementation Statement

## 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 pension schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that pension schemes detail their policies in their Statement of Investment Principles ('SIP') and demonstrate adherence to these policies in an Implementation Statement.

## 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 5 April 2024 for and on behalf of the Scheme including the most significant votes cast. During the year to 5 April 2024, there were no voting rights attached to the investments as no equity positions are held. This statement is therefore focused on the Trustee's and investment managers' approach to engagement and stewardship.

## Summary of key actions undertaken over the Scheme reporting year

- During the reporting year the Trustee redeemed all assets in the Invesco UK Residential Property fund. The Trustees subsequently invested the proceeds in a new cash fund with Schrodgers called the Schrodgers Special Situations Fund Sterling Liquidity Plus Fund.
- Following Scheme year-end, the Trustee also decided to redeem all assets in the CQS Multi Asset Credit Fund and transfer the assets to the Schrodgers Special Situations Fund Sterling Liquidity Plus Fund, as part of the Scheme's new de-risked investment strategy. The Trustee also reviewed the Scheme's Liability Driven Investment ("LDI") arrangements. As part of the review, the Trustee agreed and subsequently implemented an increase in the Scheme's target hedge from 85% of Scheme liabilities on a buyout basis (on both interest rates and inflation) to 95%.

### **Implementation Statement**

This report demonstrates that Cape plc Staff Pension and Life Assurance Scheme has 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 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 assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 85% of these risks relative to the Scheme's liabilities on a buyout basis.	Following a review of the Scheme's LDI arrangements, post Scheme year end, the Trustee agreed to increase the Scheme's hedge and funding level, and a target hedge was set at 95% of liabilities (on interest rates and inflation) on a buyout 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.	<p>During the reporting year, the Trustee redeemed the Scheme's assets in the Invesco UK Residential Fund. The proceeds from the redemption were invested in the Schroders Special Situations Fund Sterling Liquidity Plus Fund. Post Scheme year end all assets in CQS Multi Asset Credit Fund were also disinvested and transferred to the Schroders Special Situations Fund Sterling Liquidity Plus Fund.</p> <p>As part of the Scheme's collateral management framework, de-leveraging events within the LDI fund are, in the first instance, being sourced from the Schroders Special Situations Fund Sterling Liquidity Plus Fund and then the M&amp;G Total Return Credit Fund ("TRCI"). The Scheme's liquidity position is reviewed on a quarterly basis.</p> <p>The Trustee agreed that cashflow requirements should be sourced from the Schroders Special Situations Fund Sterling Liquidity Plus Fund. This will be actioned by the Isio Administration team thereby reducing the governance and time cost of the disinvestment process.</p>
Market	Losses due to factors that affect the performance of financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustee reduces market risk by diversifying the Scheme's holdings across a range of asset classes and investment managers.

			<p>The Trustee regularly reviews the performance of the managers and have concluded the allocation remains appropriate.</p> <p>There have been no other changes to this policy.</p>
Credit	<p>Default on payments due as part of a financial security contract.</p>	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>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.</p>	<p>There have been no other changes to this policy.</p>
Environmental, Social and Governance	<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>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</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 monitors the managers on an ongoing basis.</p>	<p>Further detail provided later in this report.</p>
Currency	<p>The potential for adverse currency movements to have an impact on the Scheme's investments.</p>	<p>Hedge all currency risk.</p>	<p>There have been no changes to the policy over the reporting year.</p>
Non-Financial	<p>Any factor that is not expected to have a financial impact on the Scheme's investments.</p>	<p>Non-financial matters are not taken into account in the selection, retention or realisation of investments.</p>	<p>There have been no changes to the policy over the reporting year.</p>

# Changes to the SIP

During the reporting year, the Trustee made changes to the SIP to improve alignment to recent regulatory revisions, amended the hedge target and reflected the collateral waterfall framework in place. A new SIP is currently being drafted to include the changes that took place post Scheme year-end.

## Policies added to the SIP

Updated in April 2024

<b>LDI Collateral Framework</b>	<ul style="list-style-type: none"><li>The Trustee has a stated collateral management framework. The Trustee has agreed a process for meeting collateral calls should these be made by the Scheme's LDI manager. The Trustee will review and stress test this framework on a regular basis.</li></ul>
<b>Environmental, Social and Governance factors and the exercise of rights</b>	<ul style="list-style-type: none"><li>The Trustee Board's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</li></ul>
<b>Interest Rate and Inflation Risk Policy</b>	<ul style="list-style-type: none"><li>To hedge 85% of this risk relative to the Scheme's liabilities on a buyout basis.</li></ul>
<b>Environmental, Social and Governance Risk</b>	<ul style="list-style-type: none"><li>Addition of "6. UK Stewardship Code signatory" as an additional criterion for selecting fund managers.</li></ul>
<b>Voting Policy - How the Trustees expect investment managers to vote on their behalf</b>	<ul style="list-style-type: none"><li>The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.</li></ul>
<b>Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'</b>	<ul style="list-style-type: none"><li>The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.</li><li>The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.</li></ul>

# 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.

<b>Risk Management</b>	<ol style="list-style-type: none"> <li>Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme</li> <li>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>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>ESG factors are relevant to investment decisions in all asset classes.</li> <li>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>Ongoing monitoring and reporting of how asset managers manage ESG factors is important.</li> <li>ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop their knowledge.</li> <li>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>The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.</li> <li>Engaging is more effective in seeking to initiate change than disinvesting.</li> </ol>
<b>Collaboration</b>	<ol style="list-style-type: none"> <li>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>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 following commentary reflects Isio findings from the Scheme's 2024 ESG monitoring report. The next ESG manager monitoring will take place in 2026.

Manager, fund	ESG Summary	Proposed Actions
<b>CQS – Multi Asset Credit</b>	<p>CQS have a clear firm-wide ESG framework and the Fund has several ESG objectives, such as attaining better ESG ratings and lower 'WACI' than a high yield index benchmark and achieving Net Zero by 2050. Proprietary analysis feeds into the investment and risk management processes.</p> <p>Portfolio analysts and managers are responsible for carrying out ESG due diligence on issuers and provide an ESG score that feeds into the overall internal credit rating.</p> <p>The strategy compares favourably with multi-asset credit peers in terms of integrating ESG factors.</p>	<ul style="list-style-type: none"> <li>- Update the ESG scorecard and risk framework annually to ensure they remain fit for purpose.</li> <li>- Increase the proportion of holdings which CQS engage with on an annual basis.</li> <li>- Further develop ESG reporting to include social and nature metrics and implied temperature rise as a part of regular fund reporting. Grow the coverage of reported / verified greenhouse gas emissions.</li> <li>- As the portfolio has a large loans component, an alternative benchmark for climate metrics, such as 50:50 HY/loans blend, would be more suitable (subject to data availability).</li> </ul>
<b>M&amp;G – Total Return Credit Investment Fund</b>	<p>M&amp;G adopt a robust company-wide ESG strategy, illustrating their competency in managing ESG risks within the Fund. However, the ESG reporting lags compared to peers in the market as M&amp;G do not produce detailed ESG metrics and tracking for the assets contained within the portfolio.</p>	<ul style="list-style-type: none"> <li>- Consider implementing a fund-level ESG policy.</li> <li>- Look to quantify engagements on stewardship priorities at a fund level.</li> <li>- Continue to improve reporting metrics and in particular focus on social and engagement reporting, in addition to engaging with issuers to improve data quality within the portfolio.</li> <li>- Report on the ESG rating / scores for assets held in the Fund.</li> <li>- Consider reporting fund level carbon footprint in regular reporting.</li> </ul>

**Schroders  
- LDI**

Schroders integrate ESG consideration in their counterparty selection process and have a well-established method to screen counterparties.

Schroders have made some improvements to their reporting capabilities by starting to report sustainability metrics on UK gilts.

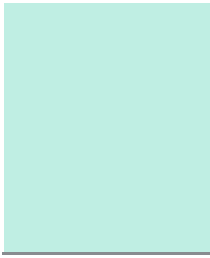
- Schroders are in the process of setting climate objectives for their LDI Funds.
- Start to report Fund-level carbon footprints.
- Consider providing ESG scores and metrics for LDI fund range.

# 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 5 April 2025.

Fund name	Engagement summary	Commentary
<p><b>CQS – Multi Asset Credit</b></p>	<p>Total Engagements: 308</p> <p><u>Environmental</u>: 100</p> <p>Of which relating to Climate Change: 40 Pollution/Waste: 30</p> <p><u>Social</u>: 37</p> <p>Of which relating to Conduct, culture and ethnics: 14 Human Capital Management: 11</p> <p><u>Governance</u>: 77</p> <p>Of which relating to: Board Effectiveness: 39 Shareholder rights: 16</p> <p><u>Strategy, Financial and Reporting</u>: 94</p>	<p>CQS is actively involved with corporate issuers, banks to which it offers capital relief, as well as CLO managers, regulators and service providers. The company's primary engagement emphasises four key engagement areas –</p> <ol style="list-style-type: none"> <li>1. Sustainable business practices</li> <li>2. Good governance and financial disclosures</li> <li>3. Climate risk management and encouraging disclosure (in alignment with TCFD)</li> <li>4. Diversity within a company (with established and appropriate Diversity &amp; Inclusion policies)</li> </ol> <p>The manager does not provide detailed case studies on a Fund-level, however, an example of a significant engagement on firm-wide level includes:</p> <p>CQS collaborated with a global beverage producer, where they initiated engagement via the CDP Non-Disclosure Campaign in 2022. As the business has high water use intensity in its production processes, CQS has sought commitments from the company to improve transparency of water risk supply-chain assessment in its public disclosures, requesting this complies with CDP reporting requirements. In addition, CQS discussed risks associated with nature-related impact, requesting more granular detail of its water management program, including plans to reduce water usage intensity.</p>

		<p>During the most recent company engagement in December 2024, CQS received confirmation from the investor relations (“IR”) team that the company had completed the 2024 CDP water questionnaire and updated its policy assessment to evaluate water stress points in their supply chain. This included details of new water usage intensity reductions in its manufacturing and conservation of biodiversity in collaboration with its supply chains.</p>
<p><b>M&amp;G – Total Return Credit Investment Fund</b></p>	<p>Total engagements: 15  Environmental: 13  Of which relating to  Net Zero/Decarbonisation (including Net Zero Commitments and Climate Transition Plans): 7    Social: 1  Of which relating to Human Rights: 1    Governance: 1  Of which relating to  Executive Remuneration: 1</p>	<p>M&amp;G adopt a systematic approach to engagement in which predetermined objectives are established beforehand and evaluated based on the results of engagements. M&amp;G monitor the success of an engagement by assessing whether they have met their objectives and log this into a wider system.</p> <p>M&amp;G analysts are expected to show a more detailed understanding of key ESG risks that impact the issues in which they oversee. If engagements are considered necessary, analysts engage with issues supported by M&amp;G’s Sustainability and Stewardship Team enabling them to utilise their understanding and consider sustainable themes effectively using their developed expertise.</p> <p>An example of a significant engagement includes:</p> <p>Yara International ASA: M&amp;G engaged with Yara to encourage the chemicals company to set metrics and milestones to measure progress against 2025 and 2030 targets on specific abatement levers. Yara responded positively, it is waiting for projects to mature and to finalise a transition plan before setting specific metrics and milestones, though it has identified areas for improvement already.</p>
<p><b>Schroders - LDI &amp; Schroders Special Situations Fund Sterling Liquidity Plus Fund</b></p>	<p>Schroders were unable to provide fund specific information for the LDI Fund.  The information for Schroders engagement activities is taken from their annual Engagement Report, dated 31 March 2025.</p>	<p>Schroders use engagement to discuss with banks how they plan to realign their investments or loans towards fast-growing technologies in the transition towards net zero emissions as these technologies will require increased financial support. Schroders also use active engagements on industry initiatives and regulation within the LDI sphere to represent views of clients to key public bodies and effectively deliver better outcomes for clients.</p> <p>An example of a significant engagement is:</p> <p>Schroders has engaged with Barclays, an LDI counterparty bank, since 2008 on their climate policies and targets. More recent engagements have been focused on scope and completeness of targets, assurance over emissions measurement and providing disclosure on client</p>



transition. Some notable outcomes from the engagement include a one-third reduction in absolute emissions linked to Barclays' financing of the energy sector over the last three years; and a commitment to cease financing for oil sands exploration, production companies, and related projects.

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# Voting

There were no voting rights attached to the Scheme's investments over the 12-month period to 5 April 2025. The majority of the assets are credit based where there are no voting rights attached.

