



AGS Airports Pension Scheme

November 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.

Statement of Investment Principles (SIP)

The SIP can be found online at the web address

<https://www.agsairports.co.uk/media/tpuh23k5/ags-airports-pension-scheme-statement-of-investment-principles-final.pdf>

Changes to the SIP are detailed on the following pages.

Implementation Report

This Implementation Report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustee 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 Trustee 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 which they invest
- voting behaviour covering the reporting year up to 30 June 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

- No changes were made to the investment strategy over the reporting year. The Trustee intend to carry out a review of the strategy post-reporting period to consider options available to the Scheme as the illiquid mandates continue to wind down and pay out proceeds to the Scheme.
- Post the Scheme year end, following completion of the 2024 Actuarial valuation, the Scheme reviewed its liability hedge based on revised cashflows from the valuation. The Trustees agreed to retain the current 80% hedge target (on Technical Provisions basis), and the revised solution was implemented over Q3 2025

Implementation Statement

This report demonstrates that the AGS Airports Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions
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.	<p>To hedge 80% of these risks on a Technical Provisions basis.</p> <p>The Trustee notes its desire to implement a higher hedging ratio if suitable from a liquidity and funding perspective.</p>	Following completion of the 2024 Actuarial valuation, the Scheme reviewed its liability hedge based on revised cashflows from the valuation. The Trustees agreed to retain the current 80% hedge target. The hedge rebalance was completed post-reporting period year-end.
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 mandate.	<p>Over the Scheme year, the Trustee received multiple updates from the investment consultant on the liquidity position of the Scheme.</p> <p>The Trustee maintain a formal policy for meeting any cashflow requirements including a collateral waterfall with the addition of Insight ABS.</p>
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 current investment strategy remains diversified and aims to reduce market risk through investments in multiple asset classes.
Credit	Default on payments due as part of a financial security contract.	<ol style="list-style-type: none"> 1. To remain appropriately diversified and hedge away any unrewarded risks, where practicable. 2. To diversify this risk by investing in a range of credit markets across different geographies and sectors. 3. 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>The allocation to credit assets is relatively diversified in terms of number of managers and credit sub-asset classes.</p> <p>The Trustee will review the credit portfolio to ensure this remains suitably diversified as part of the wider strategy review post-reporting period.</p>

Environmental, Social and Governance	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>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"> 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>	The Trustee continues to receive updates from its investment consultant on the ESG integration of the managers which manage mandates on behalf of the Scheme.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<ol style="list-style-type: none"> 1. The Scheme's current mandates hedge all the currency risk back to Sterling. 2. Any active currency positions taken by managers i.e. DGF, DCF, are risk managed and at the discretion of the managers. 	No additional action or change over reporting period.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments. This includes the extent to which the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme in the selection, retention, and realisation of investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No additional action or change over reporting period.

Transition	The risk of paying unnecessary costs or being at increased risk of adverse market movements when transitioning assets from one manager or asset class	Organise transitions in a structured fashion with the advice of advisors or by using a specialist transition manager if appropriate.	The Trustee received advice from their investment consultants on all transition activity carried out over the year.
Out of market	The risk of asset price fluctuations that negatively impact the Scheme whilst the Scheme's assets are in the Trustee Bank account.	Ensure ongoing monitoring of the Scheme's assets and transfers.	No additional action or change over reporting period.

Changes to the SIP

There were no changes made to the SIP over the 12-month period to 30 June 2025.

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 approach, within the ESG Beliefs Policy, which describes how it monitors and engages with the investment managers regarding ESG policies. This page details the Trustee's ESG beliefs. The following pages detail our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Risk Management	<ul style="list-style-type: none"> i. ESG factors can be financially material and managing these risks forms part of the Trustee's fiduciary duty. ii. There should be a positive ESG tilt to the investment strategy in return for anticipated risk reductions. iii. Any impact on risk and return due to ESG integration should be considered alongside the Trustee's risk budget and the Scheme's funding position to avoid any additional cost to the Scheme sponsor.
Approach / Framework	<ul style="list-style-type: none"> i. The Trustee will seek to understand how investment managers integrate ESG considerations into their investment decisions and include reference to ESG capabilities in future evaluation criteria when selecting new investment managers. ii. The Trustee will seek to align their ESG objectives with an internationally recognised framework.
Reporting & Monitoring	<ul style="list-style-type: none"> i. The Trustee will monitor each manager against their ESG KPIs on an ongoing basis and will conduct a full review of the overall compliance of the portfolio against these on a regular basis. ii. ESG metrics (e.g. carbon reporting) will be developed and added to ongoing reporting activity to determine the impact of the Trustee's ESG policies. iii. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to maintain an understanding of these factors, including an annual ESG training meeting for all Trustee members.
Voting & Engagement	<ul style="list-style-type: none"> i. The Trustee will seek to understand each investment manager's approach to engaging with portfolio companies and the effectiveness of these activities. ii. The Trustee will maintain regular dialogue with the Scheme's investment managers, predominantly through their Advisor, to understand progress relative to peer group.
Collaboration	<ul style="list-style-type: none"> i. Asset managers should sign up and comply with common codes and practices such as the UNPRI & the UK Stewardship Code and/or TCFD. If they do not sign up, they should provide a valid reason why. ii. Asset managers should engage and collaborate with other market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights. iii. The Trustee has a strong desire to participate with Asset Managers to collaborate where possible to maximise the ESG impact.

ESG summary and engagement with the investment managers

Manager and Fund	ESG Summary	Actions identified
M&G Secured Property Income Fund	<p>M&G have strong firm-level policies, (e.g. net zero commitment by 2050 covering all AUM) and maintain a robust approach to Stewardship in relation to climate change and diversity.</p> <p>The Fund has strong carbon objectives including aim for operational carbon to be net zero by 2050. The Fund has specific objectives under social benefit and actively considers physical risks as part of the investment process.</p>	<p>M&G could consider including nature as a stewardship priority.</p> <p>M&G should enhance collaboration with leading academic institutions to develop risk management frameworks.</p> <p>M&G were unable to provide Scope 1 & 2 emissions due to lack of clarity of tenant activities and should develop an approach to estimate carbon footprint.</p> <p>M&G should consider developing asset level ESG goals.</p>
Alcentra Direct Lending (EDL II & III)	<p>Alcentra have a firm-level responsible investment policy in place. They achieved operational Net Zero and targets Net Zero by 2050 for investments, with interim targets. Alcentra are also a member of key global ESG initiatives (UN PRI, IIGCC, TCFD).</p> <p>ESG is well-integrated within the investment process for the Direct Lending funds. Although further improvements are difficult given the maturity of the funds, Alcentra has improved quarterly reporting on ESG metrics and emissions data.</p>	<p>Alcentra should introduce explicit stewardship priorities in the RI policy.</p> <p>Alcentra could develop connections with academic institutions to develop a risk management framework.</p> <p>Alcentra should review the ESG scorecard and risk framework annually.</p> <p>Alcentra should report on individual issuer ESG scores rather than a fund-level distribution of scores</p>
Aviva	<p>At a firm level, Aviva have strong policies in place including a net zero commitment by 2040.</p> <p>Alongside being a member of 20+ key initiatives, Aviva</p>	<p>Aviva should integrate sustainability specialists to each asset class investment team.</p> <p>Aviva should introduce a formal, compulsory</p>

Insight ABS	<p>maintain a robust approach to stewardship, with defined priorities detailed in firm-wide ESG policy.</p> <p>Despite there being no explicit ESG objectives, ESG risks are integrated into the Fund's investment process. The Fund is currently winding down, and as such, ESG reporting / engagement is less of a focus.</p>	<p>training programme for analysts and PM teams with defined training priorities.</p> <p>Aviva should increase regularity of reporting (e.g. quarterly) of key ESG metrics for the Fund.</p> <p>Although the Fund is winding down, ESG engagement activities could potentially enhance value.</p>
	<p>Insight has a net zero commitment by 2050, including interim targets, in line with NZAMI. Robust approaches to stewardship and collaboration, including approach to escalation are also in place.</p> <p>In-line with peers, ESG reporting is a laggard due to data quality limitations in the ABS market. Insight's process identifies ESG opportunities beyond just managing ESG risks.</p>	<p>Insight should incorporate ESG objectives and priorities as part of ESG/RI policy.</p> <p>Insight should further expand connections with academic institutions to develop risk management frameworks.</p> <p>Insight should develop an approach to estimate carbon footprint in reporting (Scope 1 & 2 emissions).</p> <p>Establish a formal exclusion of thermal coal and tar/oil sands.</p>
Insight LDI	<p>Insight has a net zero commitment by 2050, including interim targets, in line with NZAMI. Robust approaches to stewardship and collaboration, including approach to escalation are also in place.</p> <p>Insight has a firm-wide ESG policy and integrates ESG factors for counterparty evaluation in their LDI funds, however, there are no</p>	<p>Insight should consider incorporating ESG objectives and priorities as part of ESG/RI policy.</p> <p>Further expand connections with academic institutions to develop risk management frameworks.</p> <p>Insight should consider reporting ESG scores and/or metrics for counterparties within the</p>

	specific fund-level ESG objectives for the LDI funds.	pooled funds or segregated mandates.
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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 months to 30 June 2025.

Fund name	Engagement summary	Commentary
M&G Secured Property Income Fund	M&G were unable to provide details on the number of engagements at the fund level.	<p>Due to the nature of most of the leases within the Secured Property Income Fund, M&G state that their overall influence as a landlord is limited. However, M&G maintain a dialogue with all occupiers, and as part of this, positive ESG initiatives are encouraged. The fund is committed to becoming net-zero on carbon emissions by 2050 and M&G are currently developing initiatives to help meet this goal.</p> <p>An example of a significant engagement includes:</p> <p>Bannatyne – M&G engaged with senior management at Bannatyne in response to a lack of ESG content on the company website and formal ESG policies. A meeting was held with Bannatyne’s senior management to explore opportunities for implementing the Building Research Establishment Environmental Assessment Method (Breeam) across Bannatyne’s sites. As a result of this engagement, BREEAM assessments commenced at three sites during Q1 2025. Further assessments are scheduled for two additional sites.</p>
Alcentra Direct Lending EDL II and III	<p>Total engagements: 175</p> <p>Environmental: 34</p> <p>Social: 39</p> <p>Governance: 20</p> <p>Strategy: 45</p> <p>ESG Questionnaires: 37</p>	<p>Alcentra engages with each of its borrowers on a full range of ESG topics and conducts an annual ESG engagement questionnaire which allows them to understand their borrowers’ approaches to managing ESG risks (policies in place, initiatives, etc.) and measure engagement through qualitative and quantitative metrics. Where possible, Alcentra uses their strong relationships and position as lenders with management teams and shareholders to ask questions, make recommendations and share their experiences around ESG in the private debt market.</p> <p>On several transactions, Alcentra closely engages with a borrower’s management team</p>

		<p>and owners, offering ESG incentives, such as an interest rate reduction if certain ESG criteria are met (such as social themes and employee satisfaction).</p> <p>An example of a significant engagement includes:</p> <p>Education Provider – As part of their ongoing efforts to support impact-driven borrowers, Alcentra engaged with a company in the education and training sector to help refine their ESG strategy. In Q2 2025, Alcentra provided targeted feedback to the company on their evolving ESG framework, focusing on strengthening their double materiality assessment and refining their impact Key Performance Indicators. As part of this, Alcentra encouraged the company to align with recognised frameworks to improve investor confidence, such as alignment with the UN Sustainable Development Goals. Environmental factors are less material to the business model, however, Alcentra also advised on setting climate-related targets and improving environmental disclosures, to ensure the company has a balanced ESG profile.</p>
<p>Aviva Infrastructure Fund</p>	<p>Fund is now closed ended in terms of ICSWG so they do not report engagement figures</p>	<p>Aviva recognises its duty to act as responsible stewards of its clients' assets, and maintains a strong belief that Responsible Investment, including environmental, social, and governance factors, can have a material impact on investment returns and client outcomes. Their Responsible Investing approach is governed by Aviva's framework of policies, procedures, governance structures and controls, with a dedicated Real Assets ESG team, enabling integration at Fund level. This includes their broader Responsible Investment strategy and approach, which is developed and overseen by the Global Responsible Investment team and the ESG Governance Committee.</p> <p>The fund is now closed ended in terms of ICSWG so they no longer provide any form of engagement examples or case studies. Aviva have however committed to achieving net zero carbon emissions by 2040.</p>

Insight ABS	Total engagements: 70	Insight engages with their underlying portfolio projects on a range of ESG issues, mainly related to corporate governance within portfolio companies and share issuance.
	Insight currently do not provide details on the underlying engagement themes at the fund level.	An example of an engagement includes: Pepper – Insight engaged with Pepper regarding their ESG considerations in relation to loan origination and underwriting. Discussions were held over Q4 2024 where Insight raised ESG considerations and disclosures as an area of concern. Subsequently Pepper agreed that disclosures needed to improve and would be looking to build on a number of ESG metrics in their annual reports. Insight also raised the issue of loan origination practices and Pepper agreed that this was something they were reviewing.
Insight LDI	Total engagements: 24	Insight operate an ongoing Counterparty Engagement Programme that assesses core trading partner counterparties' sustainability performance through a bespoke Sustainability Assessment Questionnaire issued every two years. The questionnaire was enhanced in 2024 to respond to the changing ESG landscape, developing regulation, and increased stakeholder expectations and focused on six main areas: climate change, natural capital, human rights, diversity and inclusion, business ethics, and pay. It was issued in 2024 to 26 counterparties, representing c.95% of Insight's total exposure.
	Insight currently do not provide details on the underlying engagement themes at the fund level	

