



# Schenker Limited Pension Fund (“The Fund”)

5 April 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 Schenker Limited Pension Fund ("the Fund") continues to follow and act on the principles outlined in the Statement of Investment Principles ("SIP").

The Fund's applicable SIP for the purposes of this implementation statement is dated November 2023. Post year-end, the SIP was updated to reflect the new investment strategy. The SIP currently in place can be found online at the web address [Schenker Limited Pension Fund - Isio](#) and any changes to the SIP over the Fund year are detailed on page 6.

The Implementation 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 Fund 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 2025 for and on behalf of the Fund including the most significant votes cast by the Fund or on its behalf.

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

Over the reporting year, the value of the Fund's assets declined, despite strong performance from the growth mandates. This drop was primarily due to rising yields, which led to a decrease in the value of both liabilities and LDI assets. By the end of the year, the Fund's weighting showed an overweight exposure to bond funds and an underweight exposure to LDI funds. This was partly because the LDI assets had depreciated and due to the illiquid Partners Group holding returning capital to the Absolute Return Bond ('ARB') fund.

The Trustee reviewed the investment strategy on a quarterly basis and conducted a comprehensive review in the first quarter of 2025. Following this review and considering the improved funding position, the Trustee decided to adopt an alternative investment strategy. This strategy involved disinvesting from the Apollo Total Return Fund after its lock-up period expired and reallocating the proceeds into a new, lower-risk Asset Backed Securities ('ABS') allocation. This allocation is expected to enhance the Fund's liquidity while aligning the investment strategy with its long-term objectives and reducing risk.

Additionally, the Trustee was informed that Partners Group was offering investors the option to exit the fund within the next 4-5 months or maintain exposure through a continuation vehicle. The Trustee chose to exit the fund and reinvest the proceeds into the new ABS allocation. The revised investment strategy is scheduled for implementation throughout 2025, with the Apollo allocation being reduced in tranches to mitigate market timing risk.

#### Implementation Statement

This report demonstrates that the Schenker Limited Pension Fund 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 Fund assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.100% liabilities on a Technical Provision basis.	The Fund maintains a 100% hedge ratio target on the Technical Provision 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>The majority of Fund's assets are held on the Mobius Life investment platform, with the exception of Partners Group, which is a closed-ended fund.</p> <p>The strategy is sufficiently liquid with L&amp;G ARB traded daily, L&amp;G LDI and B&amp;M Credit traded weekly and Apollo traded quarterly.</p> <p>The Fund's LDI portfolio has an automatic collateral rebalancing framework, with L&amp;G ARB as the source for collateral calls.</p> <p>L&amp;G ARB is also a liquid source of capital to support cashflow needs of the Fund as required.</p>
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.	Overall, the Trustee is satisfied that the Fund's exposure to market risk is reasonably reduced through asset diversification.
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.	<p>Post the Fund year-end, Partners Group provided investors with an option to remain invested or to cash out. The Trustee opted to cash out the investment. Proceeds are expected to land in the Trustee Bank Account by September 2025.</p> <p>Post the Fund year end, the Trustee agreed to disinvest from the Apollo Total Return fund after its lock-up period expired and reallocate the proceeds into a new, lower-risk ABS allocation.</p> <p>The Trustee is satisfied that the Fund remains suitably diversified from a credit perspective.</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 Fund'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"> <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> </ol> <p>The Trustee monitors the managers on an ongoing basis.</p>	Further detail provided later in this report.
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	Hedge currency risk on assets, where it is appropriate to do so, and does not materially impact the views of the manager.	No actions or changes to policy.
Non-Financial	Any factor that is not expected to have a financial impact on the Fund's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No actions or changes to policy.

# Changes to the SIP

No changes were made to the SIP during the 12-month period to 5 April 2025.

The SIP was updated to reflect the new investment strategy post year-end.

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Fund's policy on ESG as a financially material risk. The Trustee has agreed to adopt Isio's Criteria for ESG assessment of managers which describes how it monitors and engages with the investment managers regarding the ESG policies. The next pages detail the Trustee's ESG policy and view of the managers, the actions for engagement and an evaluation of the engagement activity.

Risk Management	<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 Fund.</li> <li>2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee.</li> </ol>
Approach / Framework	<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>
Reporting & Monitoring	<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 Fund'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>
Voting & Engagement	<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>
Collaboration	<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

Manager, fund	ESG Summary	Actions identified	Engagement with manager commentary
L&G - Matching Core LDI Funds	L&G have strong firm-level policies, (e.g. net zero commitment by 2050) and a strong approach to stewardship and collaboration. In addition, L&G are a member of more than 50 ESG initiatives, who they collaborate with on ESG issues.	The manager should consider expanding the approach to assess their green gilts from an ESG perspective.	The manager has not made sufficient progress towards the engagement points we've raised. We will continue to monitor and engage with them on these points.
L&G – CAAG Buy and Maintain ("B&M") Fund		The manager could consider increasing engagement coverage to above 66% and carbon metric coverage to above 70% of the fund's NAV per annum. The manager could also include social metrics and engagement details in regular fund reporting.	The manager has set ESG objectives on a fund level and is now able to provide clear examples of engagement in line with stewardship priorities. The manager also enhanced its engagement reporting by integrating data from both its investment stewardship and investment teams into fund reporting.
L&G – YAAF Absolute Return Bond ("ARB") Fund		The manager could engage with more issuers in the fund on an annual basis (currently they engage with less than 33% of issuers). The manager should consider utilising third-parties to independently verify ESG data reporting.	The manager has not made sufficient progress towards identified actions. However, the manager has highlighted ongoing efforts to develop a process for independently assessing the effectiveness of green bonds initiated during last year's exercise.
Partners Group - Private Markets Credit Strategies 2 S.A. - Multi Asset Credit 2017 (IV) GBP – Private Credit	Partners Group have a well-resourced central sustainability team and a structured training program. Partners Group also have strong net zero commitments, including a pathway to net zero by 2030 on all corporate activities and by 2050 across all portfolios.	The manager should consider regular reporting on fund-level temperature pathway alignment and emissions data. They could also engage with a significant number of the underlying issuers and improve the reporting of these engagements.	The ESG scorecard has been updated to include climate and social risks, with a sustainability scoring system integrated into due diligence processes.
Apollo - Total Return Fund – Semi Liquid Credit	Apollo publish firm-level ESG and engagement policies. Apollo have a well-resourced and dedicated sustainability team and platform. They also have high-level engagement priorities and an escalation approach.	The manager should look at developing ESG objectives for the fund, including formalising an exclusions policy. They should also consider increasing engagement coverage and improving greenhouse gas ("GHG") emissions data coverage for TCFD reporting.	The manager has not made sufficient progress towards the engagements points we've raised. However, the Fund has disinvested from this fund post the year-end.



# Engagement

The Fund's managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 March 2025. L&G have provided engagement data and case studies on a fund level for ARB and B&M only.

<sup>1</sup>One engagement could cover multiple different themes.

Fund name	Engagement summary	Commentary
Apollo - Total Return Fund – Semi Liquid Credit	<p>Total engagements: 226<sup>1</sup></p> <p>Number of entities engaged: 154</p> <p>Environmental: 216 Social: 218 Governance: 218</p>	<p>In 2024, Apollo published firm-level ESG and engagement policies. Apollo have a well-resourced and dedicated sustainability team and platform. They also have high-level engagement priorities and escalation approach.</p> <p>Examples of significant engagements include:</p> <p>Clean Harbors, Inc. – Apollo engaged with the company via a questionnaire and meeting to discuss progress on reducing GHG through fleet and plant upgrades, as well as employee diversity and turnover. The company reported improved talent retention and a higher percentage of women truck drivers compared to the national average. Apollo continues to engage with the company on scaling emissions tracking and third-party guidance.</p> <p>AL GCX Holdings, LLC - Apollo engaged with the company on their rationale for avoiding Scope 1 and 2 carbon emissions targets and for prioritising methane reductions. Apollo requested the company to fill out a questionnaire and followed this up by meeting with the company. Investors had expected the company to set Scope 1 &amp; 2 emissions targets via a shareholder proposal – ultimately it would have meant replacing combustion engines with electric ones which would be an expensive exercise. Although this proposal had failed, the company used this opportunity to communicate their rationale with investors which was to avoid negatively impacting shareholder value by setting these targets.</p>

L&G – CAAG Buy and Maintain (“B&M”) Fund	<p>Total engagements: 331<sup>1</sup></p> <p>Number of entities engaged: 182</p> <p>Environmental: 190 Governance: 64 Social: 57 Other: 20</p>	<p>L&amp;G have strong firm-level policies, (e.g. net zero commitment by 2050) and a strong approach to stewardship and collaboration. L&amp;G are also a member of over 50 ESG initiatives and networks. Examples of significant engagements include:</p> <p>Barclays PLC (“Barclays”) – L&amp;G engaged with the company to discuss progress on aligning their investment portfolios with the Paris Agreement. This dialogue prompted Barclays to strengthen their climate policies (aligning with the Paris Agreement) and improve disclosures. Engagements also expanded to address nature/agriculture risks and sustainable finance targets. Progress remains ongoing as L&amp;G continues to monitor implementation and outcomes.</p> <p>JPMorgan Chase &amp; Co (“JPM Chase”) – Throughout 2024 and 2025, L&amp;G held discussions with JPM Chase's ESG teams to advance the bank's sustainable finance strategy for net-zero alignment. This engagement prompted JPM Chase to disclose its energy supply ratio – a key metric illustrating its financing mix across energy sources. L&amp;G also progressed ongoing dialogues on executive remuneration structures and board diversity. Formal engagement continued beyond the reporting period.</p> <p>UBS Group AG (“USB”) – Following UBS's acquisition of Credit Suisse, L&amp;G held three meetings throughout 2024 to assess progress, governance challenges and financial risks. So far, the merger is ahead of schedule and L&amp;G continues to engage with the company in 2025.</p>
L&G - YAAF Absolute Return Bond (“ARB”) Fund	<p>Total Engagements: 355<sup>1</sup></p> <p>Number of entities engaged: 180</p> <p>Environmental: 208 Governance: 57 Social: 72 Other: 18</p>	<p>Engagement with companies for LDI and cash funds is done at a firm wide level rather than on a fund basis and is guided by the central stewardship team. L&amp;G leverages its scale and influence to engage with companies and policymakers globally, with the aim of improving market ESG standards and best practices.</p>
L&G - Matching Core LDI Funds	<p>The manager does not produce a detailed breakdown of the engagement activity for LDI funds.</p>	
Partners Group - Private Markets Credit Strategies 2 S.A. - Multi Asset Credit 2017 (IV) GBP – Private Credit	<p>Partners Group did not report any engagements between 31 December 2023 and 31 December 2024.</p>	<p>Partners Group have a well-resourced central sustainability team and a structured training program. Partners Group also have strong net zero commitments, including pathway to net zero by 2030 on all corporate activities and 2050 across all portfolios.</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.