



Swissport GB Pension Scheme Implementation Report

September 2022

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 schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Scheme updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address <https://www.isio.com/scheme-documents/swissport-gb-pension-scheme/>

Changes to the SIP are detailed on the following page.

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 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 2022 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:

- Following the agreement from the Trustee, the Legacy section of the Scheme implemented its new investment strategy. This introduced an M&G asset backed securities fund and a Schroders LDI mandate. Further to this, an LDI hedge design was agreed which was based on the new actuarial valuation results.

Implementation Statement

This report demonstrates that Swissport GB Pension 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
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.	<p>Servisair: To hedge 84% of these risks on a technical provisions basis.</p> <p>Cargo: To invest 85% of the section's assets in gilts and corporate bonds.</p> <p>Legacy: To invest 75% of the section's assets in LDI and corporate bonds.</p>	Each section has an LDI mandate in place to manage this risk. This mandate should be reviewed periodically.
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.	Each section maintains a sufficient allocation to liquid assets, alongside a Trustee Bank Account which is monitored to ensure member benefits are met.
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.	No actions over the period - Each section remains diversified at both an asset class and underlying exposure level.
Credit	Default on payments due as part of a financial security contract.	<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>	The Scheme invests in managers that are diversified by sector and sub asset class.
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.	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

		<p>1. Responsible Investment ('RI') Policy / Framework</p> <p>2. Implemented via Investment Process</p> <p>3. A track record of using engagement and any voting rights to manage ESG factors</p> <p>4. ESG specific reporting</p> <p>5. UN PRI Signatory</p> <p>The Trustee monitors the managers on an ongoing basis.</p>	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The hedging of currency risk is delegated to the Scheme's investment managers.	No actions to report.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No actions to report.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page details the Scheme's current ESG policy, while the following page outlines the areas Isio have used when evaluating the Scheme's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Current Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	<ul style="list-style-type: none">• The Trustee's investment managers can provide annual reports on how they have engaged with issuers regarding social, environmental, and corporate governance issues• The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.	<ul style="list-style-type: none">• The manager has not acted in accordance with their policies and frameworks.• The manager's policies are not in line with the Trustee's policies in this area.

Areas of assessment

Risk Management	<ol style="list-style-type: none"> 1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme. 2. 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"> 3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in the debt of a company/project/asset, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> 6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop their knowledge. 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.
Voting & Engagement	<ol style="list-style-type: none"> 9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none"> 11. 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. 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.

Changes to the SIP

No changes have been made to the SIP during the period. This will be updated once the strategies have been reviewed and changes to the investment managers have been made.

ESG summary and actions with the investment managers

The Trustees have discussed potentially commissioning a review of the managers' ESG policies which could be presented in the form of an Impact Assessment report.

We will provide this information in the future if the Trustees decide to carry out an Impact Assessment.

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 2022.

Servisair Section

Fund name	Engagement summary	Commentary
Schroders LDI	Total engagement: N/A	<p>Schroders do not consider direct engagement data to be relevant to these Funds due to the underlying holdings being passively held cash and gilts. Cash and gilt holdings typically have no engagement rights attached to them, as such the Funds' overall engagement influence is relatively low.</p> <p>However, Schroders believe applying an approach which incorporates the effects of ESG trends is a key element in reducing liability risk. This includes inflation and interest rate risk. Further to this, Schroders engaged on RPI reform and the LIBOR transition as they believe in actively engaging on industry initiatives and regulation. Additionally, Schroders engaged with a wide range of market participants over the period including existing and potential counterparty banks, the Bank of England, the Debt Management Office, governments, and clearing houses</p>
Schroders ABS	Total engagements: N/A	Schroders were unable to provide meaningful examples of ESG related engagements during the period.
Threadneedle Pensions Property Fund	Total engagements: N/A	Threadneedle Pensions Property Fund invests in direct UK Property and therefore engagements do not feature within the Fund.
Partners Group Multi Asset Credit – PMCS 2014	Total engagements: N/A,	Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as lenders they will typically rely on the equity sponsor to report ESG related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks. Partners Group aim to have a seat on the advisory board to enhance engagement capabilities beyond
Partners Group Multi Asset Credit – PMCS 2015	Partners Group were unable to disclose the number of engagements for the reporting period	

Partners Group Multi Asset Credit – PMCS 2017		<p>that of a typical debt investor and formulate a dialogue with portfolio companies to monitor investment decisions.</p> <p>Partners Group were unable to provide meaningful examples of ESG related engagements during the period.</p>
BlackRock Diversified Growth Fund	Total engagements: 825	<p>BlackRock engages with their companies through their Investment Stewardship team in order to provide feedback and inform their voting decisions.</p> <p>Examples of significant engagements include:</p> <p>Woodside:</p> <p>Recently, BlackRock engaged with the company's board on a range of material issues such as the company's approach to sustainability reporting, climate risk, environmental impact-management, business oversight and risk management. BlackRock encourage the steps the company has taken to strengthen its sustainability and climate disclosures, particularly the alignment with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). Additionally, BlackRock expects companies to provide disclosure aligned with the four pillars of the TCFD framework, including scope 1 and scope 2 emissions, along with accompanying greenhouse gas (GHG) emissions reduction targets.</p>

Cargo Section

Fund name	Engagement summary	Commentary
LGIM LDI	Total engagement: N/A	LGIM were unable to provide engagement examples in relation to the 12 months to 31 March 2022. Isio will continue to engage with LGIM so that data is available in the future.
LGIM – Buy & Maintain Credit, Absolute Return Fund, Corporate Bonds, Equity	Total engagements: N/A	LGIM were unable to provide engagement examples in relation to the 12 months to 31 March 2022. Isio will continue to engage with LGIM so that data is available in the future.
Barings Global High Yield Credit Strategies Fund	Total engagements: 679* *Barings engagements cover the broad fixed income platform.	<p>Barings believe that the analysis of ESG are the core topics to consider when assessing the sustainability of an investment. Additionally, the manger expects ESG factors to be integrated into the investment process across their asset classes. An example on the area Barings has engaged has been outlined below:</p> <p>KCA Deutag: Barings engaged with senior management at the company on a number of topics viewed as important for the company to address the energy transition over the mid-term. On the back of engagements, the company appointed ESG consultants in 2021 and will be disclosing emissions reduction targets in 2022. Dialogue has continued in Q1 2022. Following interaction with Barings and other shareholders, the company has already taken action to improve efficiency of existing asset base including reduced fuel consumption and electrification.</p>

Legacy Section

Fund name	Engagement summary	Commentary
Schroders LDI	Total engagement: N/A	<p>Schroders do not consider direct engagement data to be relevant to these Funds due to the underlying holdings being passively held cash and gilts. Cash and gilt holdings typically have no engagement rights attached to them, as such the Funds' overall engagement influence is relatively low.</p> <p>However, Schroders believe applying an approach which incorporates the effects of ESG trends is a key element in reducing liability risk. This includes inflation and interest rate risk. Further to this, Schroders engaged on RPI reform and the LIBOR transition as they believe in actively engaging on industry initiatives and regulation. Additionally, Schroders engaged with a wide range of market participants over the period including existing and potential counterparty banks, the Bank of England, the Debt Management Office, governments, and clearing houses</p>

Schroders ABS	Total engagements: N/A	Schroders were unable to provide meaningful examples of ESG related engagements during the period.
M&G AOF	Total engagements: 22	<p>M&G keep regular contact with the management teams of the companies within their portfolio and have a central Sustainability & Stewardship team to drive engagement activity once analysts flag key ESG-related issues. Given the Fund invests in debt and debt-like assets however, engagement rights are more limited than equity assets. As such M&G will typically rely on the equity holder(s) for data provision and voting activity to support their engagement efforts. An example on the area M&G has engaged has been outlined below:</p> <p>Engie: M&G engaged with the French multinational electric utility company to ask them to disclose its plans for the period post 2030 up to Net Zero in 2045. This came after hearing the company present very ambitious plans for 2030. Following the engagement, the company announced that it was going to build capacity for 80GW of renewables by 2030 and then accelerate renewable supply further. Engie sees huge demand in renewables, and gas will be part of the transition – the company will convert its coal plants to gas, and all gas will become green by 2045.</p>

Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2022. The managers also provided examples of any significant votes.

Servisair Section

Fund name	Voting summary	Examples of significant votes	Commentary
BlackRock Dynamic Diversified Growth Fund	<p>Meetings voted: 965</p> <p>Votable proposals: 12,458</p> <p>Votes cast: 12,458</p> <p>Votes 'with' management: 11,679</p> <p>Votes 'against' management: 779</p> <p>Vote 'abstain': 182</p>	<p>AT&T – BlackRock voted against the election of Scott T. Ford as Director as the pay was not properly aligned with performance and/or peers. BlackRock's view is that such an outcome would not align with shareholder interests, particularly regarding the generation of sustainable long-term value.</p> <p>Chevron Corporation – BlackRock voted for a proposal to reduce Scope 3 Emissions in a trajectory consistent with what is expected of large companies like Chevron and its peers. BlackRock was also motivated by the belief that it is in the best interests of shareholders to have access to greater disclosure on this issue.</p>	BlackRock uses the Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock votes on their clients' behalf as it is one of their core stewardship responsibilities. BlackRock vote to achieve an outcome that they believe is most aligned with their clients' long-term economic interests.

Cargo Section

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM UK Equity Index	<p>Meetings voted: 772</p> <p>Votable proposals: 10,813</p> <p>Votes cast: 10,811</p> <p>Votes 'with' management: 10,062</p> <p>Votes 'against' management: 749</p> <p>Vote 'abstain': 0</p>	<p>Cineworld Group – LGIM chose to vote against the election/re-election of all members of the remuneration committee and the board chair of Cineworld. They have strong concerns about the structure of the long-term incentive plan granted to the executives, and its misalignment with the long-term interests of the company, its shareholders, and other stakeholders.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>
LGIM North America Equity Index & North America Equity Index - GBP Hedged	<p>Meetings voted: 663</p> <p>Votable proposals: 8,181</p> <p>Votes cast: 8,160</p> <p>Votes 'with' management: 5,747</p> <p>Votes 'against' management: 2,408</p> <p>Vote 'abstain': 5</p>	<p>Apple – LGIM voted in favour of a resolution to report on Civil Rights Audit. The rationale behind the vote was that LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>
LGIM Europe (ex UK) Equity Index & Europe (ex UK) Equity Index - GBP Hedged	<p>Meetings voted: 549</p> <p>Votable resolutions: 9,447</p> <p>Votes cast: 9,428</p> <p>Votes 'with' management: 7,749</p> <p>Votes 'against' management: 1,613</p> <p>Vote 'abstain': 66</p>	<p>Total SE – LGIM voted against the resolution to re-elect Patrick Pouyanne as Director. This is due to LGIM having a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>

LGIM Japan Equity Index & Japan Equity Index-GBP Hedged	<p>Meetings voted: 512</p> <p>Votable proposals: 6,109</p> <p>Votes cast: 6,109</p> <p>Votes 'with' management: 5,293</p> <p>Votes 'against' management: 815</p> <p>Vote 'abstain': 1</p>	<p>Mitsubishi – LGIM voted in favour of a resolution to amend articles to disclose plan outlining company's business strategy to align investments with goals of the Paris Agreement. LGIM believe that a vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change. While they positively note the company's recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened, and they believe the shareholder proposal provides a good directional push.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>
LGIM Asia Pacific (ex Japan) Developed Equity Index & Asia Pacific (ex Japan) Developed Equity Index - GBP Hedged	<p>Meetings voted: 499</p> <p>Votable proposals: 3,457</p> <p>Votes cast: 3,456</p> <p>Votes 'with' management: 2,537</p> <p>Votes 'against' management: 911</p> <p>Vote 'abstain': 8</p>	<p>Doosan Heavy Industries & Construction - LGIM voted against the resolution to elect Kim Dae-gi as Outside Director. LGIM expects a company to have a diverse board, including at least one woman. They expect companies to increase female participation both on the board and in leadership positions over time.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>
LGIM World Emerging Markets Equity Index	<p>Meetings voted: 4,087</p> <p>Votable proposals: 34,237</p> <p>Votes cast: 34,169</p> <p>Votes 'with' management: 27,714</p> <p>Votes 'against' management: 5,710</p> <p>Vote 'abstain': 745</p>	<p>LGIM were unable to provide an example of a significant vote.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>

