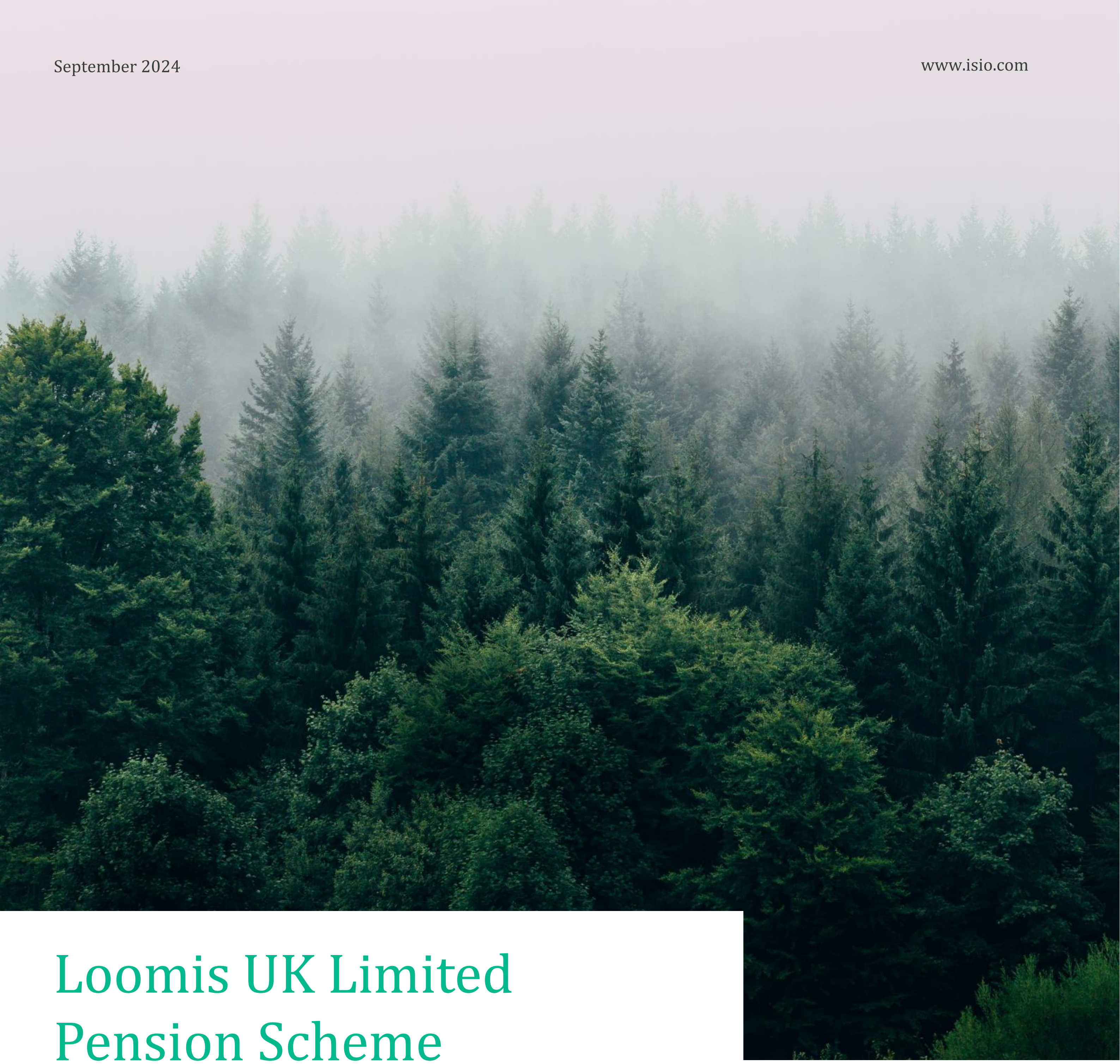

Loomis UK Limited Pension Scheme Implementation Report

September 2024

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 https://uk.loomis.com/-/media/Files/Loomis/United-Kingdom/Downloads/Loomis-SIP.pdf

Changes to the SIP are detailed on the following page.

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.

Please note that the Scheme's year end date is 5 April 2024 however for the purpose of this document, the reporting period used is the 12 months to 31 March 2024.

Summary of key actions undertaken over the Scheme reporting year

- The Trustee has discussed the Scheme's journey planning and future investment strategy as a result of the 2023 Actuarial Valuation, although no final decision on strategy has been made.

- The LDI portfolio has also been under review by the Trustee, and the process of updating the liability benchmark with Insight using cashflows from the 2023 Actuarial Valuation was completed post the reporting date.

- Over the year, the Scheme has received a number of distributions from Partners Group as the private market credit fund winds down. The Trustee used these proceeds to fund cashflow requirements as well as top up its investment in the Insight Global ABS fund.

Implementation Statement

This report demonstrates that the Loomis UK Limited Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change over the 12 months to 31 March 2024.

This statement was approved on 9 September 2024 by David Farmer and Priti Ruparelia on behalf of Ross Trustees Services Limited (part of the Independent Governance Group), as the Trustee of the Loomis UK Limited Pension Scheme.

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.	To hedge c.95% of these risks on an estimated buy out basis of the liabilities.	The Trustee maintained the Scheme's target hedge ratios of 95% on the buy out 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.	Proceeds received from the private market credit are used for cashflow purposes. The majority of the Scheme's assets have daily liquidity.
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 to report.
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 to report.
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.	The Trustee will undertake an impact assessment in relation to ESG risks ahead of the appointment of a new manager and/or fund. To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework	Further details provided later in this report.

		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 6. UK Stewardship Code signatory The Trustee will monitor the managers on an ongoing basis.	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge currency risk on assets, where it is appropriate to do so, and does not materially impact the views of the 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.

Changes to the SIP

The Trustee updated the Scheme's SIP in June 2023 to reflect the change to the hedging target i.e. to hedge c.95% of interest rates and inflation expectations on an estimated buy out basis of the liabilities. The Trustees also included the following policies in relation to stewardship responsibilities.

Policies added to the SIP	
Date updated: June 2023	
Voting Policy - How the Trustees expect investment managers to vote on their behalf	The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually. Example stewardship activities that the Trustee has considered are listed below. • Selecting and appointing asset and fiduciary managers – the Trustee will consider potential managers' stewardship policies and activities • Asset manager engagement and monitoring – on an annual basis, the Trustee assesses the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustee's investment decision making • Collaborative investor initiatives – the Trustee will consider joining/supporting collaborative investor initiatives

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 how the Scheme's ESG policy is implemented, while the following page outlines the assessment criteria as well as the ESG beliefs used in 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 stewardship 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.

Implementing the Current ESG 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	• The Trustee's investment managers provide 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. • The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.	• The manager has not acted in accordance with their policies and frameworks.

Areas of assessment and ESG beliefs

Risk Management	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	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 companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	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	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	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.

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 the end of March 2024.

Fund name	Engagement summary	Commentary
Partners Group Multi Asset Credit	Total engagements: N/A, Please note Partners Group were not able to provide a breakdown of engagements into environmental, social and governance categories for this Fund. They were also unable to disclose the number of engagements for the reporting period.	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 that of a typical debt investor and formulate a dialogue with portfolio companies to monitor investment decisions. Partners Group were unable to provide meaningful examples of ESG related engagements during the period.
Aegon European ABS	Total Engagements: 127* Environmental: 14 Social: 4 Governance: 57 Other: 52	Aegon have shown good commitment to ESG integration and have adequate risk management controls in place. While more can be done to improve data collection and setting specific quantifiable ESG targets, we do acknowledge the difficulties doing so in the Asset Backed Securities ("ABS") space. ABS tends to lag other public credit strategies due to its securitised nature, which provides access to hundreds of underlying borrowers per deal and has fewer engagement rights as a result. Examples of a significant engagement includes: ABS Issuers – Aegon's objective behind this engagement is to increase availability of ESG related (loan level) data. For Aegon it is essential to have access to specific ESG related data (such as energy performance certificates of houses in case of mortgages, or CO2 emission data about cars in case of auto loans) in order for Aegon to perform meaningful ESG analysis of the collateral. This data is generally not available and Aegon is actively urging parties to make this specific data available. Over the last year, the availability of ESG-related data across European ABS originators has grown but is still

		limited. The availability of EPC data (Energy Performance Certificates) remains the main challenge to investors incorporating ESG factors in their residential mortgages assessments. This is also one of Aegon's most important engagement topics. Dutch and UK originators typically perform better, whereas southern European originators tend to lag. French originators are showing an improvement in data availability.
Insight Global ABS	Total engagements: 70-80 Please note Insight were not able to provide a breakdown of engagements into environmental, social and governance categories for this Fund.	Insight have shown a strong level of engagement on ESG and have adequate risk management controls in place. However, integrating ESG considerations within ABS is more challenging than other fixed income strategies, with data collection a common issue across the ABS market. Examples of significant engagements include: Mercedes Benz – Insight engaged with Mercedes Benz on the topic of understanding their ESG approach and engaging on Insight's additional reporting requirements. The engagement was an example of Insight's direct work with issuers to improve their understanding of what matters to investors surrounding ESG and how they can improve their disclosures. Following the latest engagement, Mercedes Benz agreed to work with Insight to ensure future participation and completion of Insight's questionnaire. Mercedes Benz also published an impact report that shows the life cycle analysis and want to be 100% transparent about each part of the business. Insight are currently arranging to meet and discuss their ESG initiatives with Mercedes Benz's dedicated ESG team. Investcorp – Insight engaged with Investcorp on the topic of originating ESG practices as part of the CLO programme. This is the main part of an ABS mandate that could have exposure to more sensitive sectors (e.g., gambling, tobacco, energy, etc). Insight's engagement aimed to cover investment policy with a focus on ESG policies and procedures. The outcome of the engagement was positive and the ESG analysis of Investcorp's CLO practices has improved, and problematic sectors are largely being excluded. This resulted in Investcorp placing well against their peers. Insight will continue to review their policies and practices in light of potential new issuance.
Insight LDI	Total engagements: 43* Environmental: 21 Social: 12 Governance: 5 Strategic: 112 Other: 11	Insight has demonstrated a comprehensive selection and monitoring process for assessing ESG risks in counterparties.

	*Environmental, Social and Governance engagements do not sum to total engagements due to some engagements overlapping into several categories, as well as some engagements being strategic.	The following example is provided at firm-level as Insight did not have any significant engagements at fund-level for LDI Funds. ESG-linked Remuneration – Insight have included questions on ESG-linked executive remuneration in their first Counterparty questionnaire. They also provided examples of quantitative approaches to ESG metrics where only qualitative approaches are used as they believe this approach is more transparent and provides a more robust assessment in relation to the engagement topic. Following the engagement, Insight were pleased to observe a positive outcome in Q1 2023 when RBS disclosed that they plan to incorporate climate considerations into medium- and long-term incentive plans for executives beginning in 2023.

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