

Implementation Statement for the Year to 5 April 2023

KPSS (UK) Limited Pension Scheme ('the Scheme')

Introduction

In June 2022, the Department of Work and Pensions (DWP) issued guidance for trustees of pension schemes to produce an Implementation Statement to meet pension disclosure requirements.

This Implementation Statement describes the voting and engagement policies of the Trustee of the KPSS (UK) Limited Pension Scheme ('the Trustee') along with a summary of voting and engagement behaviour related to the Scheme's investments over the 12-month period to 31 March 2023, given the availability of information.

The purpose of this Implementation Statement is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles ('the SIP'). At the start of the Scheme year, the Fourth Edition of the SIP was replaced by the Fifth Edition, with an Addendum in February 2023.

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 Environmental, Social and Governance (ESG) factors and the actions taken with managers on managing ESG risks; and
- 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.

Summary of key actions undertaken over the Scheme reporting year

In August 2022, the allocations to Columbia Threadneedle were sold in favour of an LDI fund with Schroders alongside a long-dated Gilt fund with Legal & General Investment Management (LGIM).

During the year, the Scheme saw volatility in its interest rate and inflation hedges as a result of the Gilt crisis in late September/early October and, over the period, there was an improvement in funding. The Trustee therefore decided, after consultation with the Sponsoring Employer, to reduce return expectations and increase interest rate and inflation hedges, to "lock-in" the better position.

In December 2022, a credit fund with LGIM was also added as part of the derisking strategy.

Implementation Statement

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

Managing risks

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.	To invest in matching assets that move in line with the present value of the Scheme's liabilities.	The Scheme invested in LDI and Gilts-based funds over the period which aim to hedge a very significant part of the Scheme's inflation and interest rate risk.
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.	The liquidity of the Scheme was severely tested during the Gilt crisis but all capital calls were dealt with in good time. The Trustee continues to stress test liquidity as part of its quarterly reporting. Liquidity is, in the main, maintained in credit, cash and daily traded funds.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away from any unrewarded risks, where practicable.	The Scheme has a modest level of investment in diversified growth funds which aim to reduce market volatility by diversifying across different drivers of return.
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 where possible.	The Scheme invested in an investment grade pooled credit fund which invests across a variety of sectors, diversifying the underlying credit risk.
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 integrate ESG into their investment process, utilise their right to vote and have good reporting on ESG matters.	<p>As part of the investment management of the Scheme's assets, the Trustee expects the investment managers to make decisions on:</p> <ul style="list-style-type: none"> • The selection, retention and realisation of investments taking into account all financially material considerations. • The exercise of rights (including voting rights) attached to these investments. • Undertaking engagement activities

			<p>with investee companies and other stakeholders where appropriate.</p> <p>The Trustee has undertaken training on ESG and Stewardship and is considering priorities, which will be reflected in the next version of the SIP.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP denominated share classes where possible.	The Scheme invests in GBP denominated share classes where possible.
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.	

Changes to the SIP

Additions to the SIP

In May 2022, a revised SIP was signed, following a change in strategy in light of the 2020 Actuarial Valuation. An Addendum to the SIP was issued in February 2023 reflecting the reduction in target return to a level of Gilt yields + 0.5% pa and hedging at over 100% of Technical Provision liabilities, in order to reduce risk against a higher level of liabilities measured on a more conservative, "Low Employer Dependency" basis..

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP references the Scheme's policy with regards to ESG as a long-term risk. The sections below detail how the Scheme's ESG policy is implemented. The ESG policy is detailed below:

The Trustee:

- will engage with the Sponsoring Employer on its ESG policy and consider any views it may have;
- believes that climate change is a financially material consideration when investing and will engage with fund managers to help understand the impact of climate change on portfolios;
- may consider non-financially material ESG factors where the financial impact is unlikely to be detrimental to returns;
- will, where there is choice, invest in fund managers with a superior ESG approach, as rated by their investment adviser, all else being equal;
- prefer fund managers to invest in assets that have a positive ESG impact;
- expect fund managers to report on ESG issues and developments;
- will, where possible, try to align investments with the UN Sustainability Goals;

No investment priorities have been explicitly set as yet, but are being actively considered by the Trustee.

Engagement with the Sponsor

The ESG policy above has been discussed and agreed with the Sponsor. The Sponsor also attends Trustee meetings and is kept updated on all material developments in relation to ESG.

The rest of this statement details the Trustee's view of the managers, the actions for engagement and an evaluation of the stewardship activity.

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

Implementing the Current ESG Policy

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factor and the exercising of rights.	The Trustee receives information from its investment advisers on the investment managers' approaches to engagement.	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustee's policies in this area.</p>

Engagement and Voting

Fund Manager	Policies	Engagement and Voting
Ormonde Multi-Asset Fund	The fund has been in wind-down for 12 months with only two illiquid holdings remaining with the Fund.	Given the wind-down, engagement has only been on the sale of the remaining assets. It is therefore not appropriate to report on engagement behaviour for this fund. There are no voting rights attaching to this Fund.
Columbia Threadneedle Multi-Asset Fund	Documents are available on their website covering RI policies. Responsible Investor Columbia Threadneedle Investments	See below for engagement and voting information.
Chenavari Reg Cap, Harbert European IV, Harbert US Real Estate V, Lunar Capital IV	All funds are drawdown vehicles with very little exposure to these Funds remaining within the Scheme.	Given all are in harvesting mode and there is no ability to influence or redeem, engagement is on performance and sale of the remaining assets. . There are no voting rights attaching to these Funds.
L&G Life AAA-AA-A Over 15 Year Index Fund	Documents are available on L&G's website covering Responsible Investing policies. Responsible Investing LGIM Institutional	See below for engagement information – there are no voting rights within a credit portfolio.

L&G Over 15 Year Gilt Index Fund	Documents are available on L&G's website covering Responsible Investing policies, although within government bonds engagement is limited and there are no voting rights. Responsible Investing LGIM Institutional	N/A
ML SSD LDI Fund	Schroders' LDI fund does not invest directly in equity or credit and so the focus of engagement is with counterparties, where ESG forms part of the selection process.	N/A

Where voting has taken place, which is solely within the Columbia Threadneedle fund, the Trustee has chosen to adopt a definition of "significant votes" that is in line with the definition chosen by the Fund manager.

Columbia Threadneedle MAF

Request	Response
How many meetings were you eligible to vote at?	430
How many resolutions were you eligible to vote on?	5830
What % of resolutions did you vote on for which you were eligible?	97.6%
Of the resolutions on which you voted, what % did you vote with management?	90.0%
Of the resolutions on which you voted, what % did you vote against management?	7.9%
Of the resolutions on which you voted, what % did you vote to abstain?	2.1%
In what % of meetings, for which you did vote, did you vote at least once against management?	56.5%

Company Name	Meeting Date	Approx size of holding (31 March 2023)	Summary of resolution	How voted	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Rationale for the voting decision	Outcome of the vote	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	On which criteria have you assessed this vote to be "most significant"?
Cintas Corporation	2022-10-25	0.20%	Report on Political Contributions	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
General Motors Company	2022-06-13	0.01%	Report on the Use of Child Labor in Connection with Electric Vehicles	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
The TJX Companies, Inc.	2022-06-07	0.00%*	Report on Risks from Company Vendors that Misclassify Employees as Independent Contractors	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
The TJX Companies, Inc.	2022-06-07	0.00%*	Report on Assessing Due Diligence on Human Rights in Supply Chain	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Report on Metrics and Efforts to Reduce Water Related Risk	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Commission Third Party Assessment of	For	No	Supporting better ESG risk	Fail	Active stewardship (engagement and voting) continues to form an	Vote against management on certain

			Company's Management of Misinformation and Disinformation Across Platforms			management disclosures		integral part of our research and investment process.	environmental or social proposals & >20% dissent
Alphabet Inc.	2022-06-01	0.32%	Report on Climate Lobbying	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Report on Lobbying Payments and Policy	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent
Amazon.com, Inc.	2022-05-25	0.56%	Report on Protecting the Rights of Freedom of Association and Collective Bargaining	For	No	Supporting better ESG risk management disclosures	Fail	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.	Vote against management on certain environmental or social proposals & >20% dissent

* since been exited

LGIM AAA-AA-A Over 15 Year Index Fund

Q1 2023 | ESG report

This document is intended for investment professionals only.

PMC

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Fixed Income

AAA-AA-A Corporate Bond All Stocks Index Fund - ESG Report

Fund size: £5,125.2m | Fund launch date: 20 June 2001 | Base currency: GBP | Domicile: United Kingdom | Regulatory status: Unit-Linked Life Insurance

Key ESG metricsⁱ

Carbon footprintⁱⁱ



28.6

Excluding sovereigns^{iv}

Tonnes CO₂e per £1 million invested^v

Eligibility^{vi,vii} 89.9%
Eligible coverage^{vi,vii} 41.6%
Total coverage^{vi,vii} 37.4%

42.9

Including sovereigns^{iv}

Tonnes CO₂e per £1 million invested^v

Eligibility^{vi,vii} 98.8%
Eligible coverage^{vi,vii} 46.9%
Total coverage^{vi,vii} 46.3%

Weighted average carbon intensity (WACI)^{ix}



52.0

Excluding sovereigns^{iv}

Tonnes CO₂e per £1 million revenue^x

Eligibility^{vi,vii} 89.9%
Eligible coverage^{vi,vii} 42.3%
Total coverage^{vi,vii} 38.0%

93.2

Including sovereigns^{iv}

Tonnes CO₂e per £1 million revenue^x

Eligibility^{vi,vii} 98.8%
Eligible coverage^{vi,vii} 47.5%
Total coverage^{vi,vii} 46.9%

Total carbon emissions^a

Excluding sovereigns^{iv}

Scope 1
109,851.3

Scope 2
22,342.2

132,193.4
Tonnes CO₂e^b

Including sovereigns^{iv}

220,402.1
Tonnes CO₂e^b

Implied temperature alignment^{xi}

2.6°C

- Over 3°C
- 2 to 3°C
- 1.5 to 2°C
- Under 1.5°C

Number of instruments: 313

Climate engagements^{xiii}



13.0%

Percentage of fund engaged where 'Climate Theme' was mentioned (62 engagements)

Carbon reserves^{xiv}



575.0

Tonnes CO₂e per £1 million of EVIC^{xv}

Green revenues^{xvi}



1.5%

SBTi coverage



16.7%

Percentage of fund engaged in the Science Based Targets initiative

Climate Value at Risk (VAR)

It is considered there is not sufficient industry consensus on how to calculate and communicate a single climate risk data point to include them at this time. There is also a risk that providing a single climate risk data point in isolation, without the contextual analysis required to allow this to be properly interpreted creates risks of misunderstanding.

Engagement (12 month period)^{xviii}



114

Total number of engagements



21%

of fund market cap engaged



54

Unique companies engaged



23%

of eligible fund value engaged

Number of engagements on:



62

Environmental topics



33

Social topics



58

Governance topics



21

Other topics (e.g. financial and strategy)

Top five engagement topics:



1

48 engagements
Climate Change



2

30 engagements
Remuneration



3

20 engagements
Corporate Strategy



4

15 engagements
Board Composition



5

14 engagements
Public Health

