

Implementation Statement for the Year to 5 April 2024

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 2024, 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 fifth edition of the SIP plus Addendum was in place, with the sixth edition signed shortly after the Scheme year end.

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

Over the year there was little change to the asset allocation, except through the impact of market conditions.

Interest rate and inflation hedges remained relatively stable.

A strategy review was undertaken with proposed changes to the LDI and credit manager, and the introduction of a multi-asset credit fund. All will be implemented in Q2 2024.

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 on a buyout 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.	The liquidity of the Scheme is stress tested each quarter and sufficient collateral held to meet at least a 350bp rise in Gilt yields. 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 with investee companies and other stakeholders where appropriate.

			The Trustee has undertaken training on ESG and Stewardship and is considering priorities, which will be reflected in the next version of the SIP.
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

There have been no changes to the SIP during the year but a revision was made post year end.

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.

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 24 months with only two illiquid holdings remaining with the Fund. After year end 75% of the remaining assets were paid out.	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?	494
How many resolutions were you eligible to vote on?	6702
What % of resolutions did you vote on for which you were eligible?	98.8%
Of the resolutions on which you voted, what % did you vote with management?	86.8%
Of the resolutions on which you voted, what % did you vote against management?	11.6%
Of the resolutions on which you voted, what % did you vote to abstain?	1.6%
In what % of meetings, for which you did vote, did you vote at least once against management?	62.6%

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"?
Amazon.com, Inc.	2023-05-24	1.1%	Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	For	No	Shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information.	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.	2023-05-24	1.1%	Report on Median and Adjusted Gender/Racial Pay Gaps	For	No	The proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.	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.	2023-05-24	1.1%	Report on Customer Due Diligence	For	No	The company faces risks related to human rights in its global operations. Good practice includes developing a clear human rights policy or code of practice, along with a narrative on how impacts are monitored and effectively mitigated.	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.	2023-05-24	1.1%	Commission Third Party Study and Report on Risks Associated with Use of Recognition	For	No	The company faces risks related to human rights in its global operations. Good practice includes developing a clear human rights policy or code of practice, along with a narrative on how impacts are monitored and effectively mitigated.	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.	2023-05-24	1.1%	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining	For	No	Shareholders would benefit from increased disclosure through a third-party assessment of the company's commitment to its freedom of association policies and practices to provide assurance regarding the company's claims	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


Shell Plc	2023-05-23	0.1%	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Abstain	No	Whilst we appreciate the progress made by the company and engagement to date, we feel ABSTAINING is the best option to recognise this progress whilst retaining our position that we would prefer to see greater movement towards full Paris alignment in the coming years.	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 Walt Disney Company	2023-04-03	0.5%	Report on Political Expenditures	Abstain	No	While we generally agree with the sentiment of this proposal, it appears the company provides reasonable disclosure of its political donations and we are encouraged by the recent efforts to increase transparency on this issue.	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
Quest Diagnostics Incorporated	2023-05-17	0	Adopt GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	For	No	We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information.	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
Apple Inc.	2024-02-28	0.2%	Report on Median Gender/Racial Pay Gap	For	No	The proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.	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

* If 0% stated the position has been exited


LGIM AAA-AA-A Over 15 Year Index Fund

Please note that the data below is for the 12 months to 31 December 2023 as March 2024 data was unavailable at the time of completing the accounts.


29
Total number of engagements


19%
of fund market cap engaged


14
Unique companies engaged


20%
of eligible fund value engaged

Number of engagements on:


13
Environmental topics


9
Social topics


13
Governance topics


12
Other topics (e.g. financial and strategy)

Top five engagement topics:


9
Climate Change


7
Company Disclosure & Transparency


11
Corporate Strategy


7
Energy


5
Remuneration