



# KMG Thomson McLintock Pension Scheme (“the Scheme”) Implementation Report

September 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.

## Statement of Investment Principles (SIP)

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

- Policies on the stewardship of the investments.

The SIP can be found online at the web address: [https://www.zedra.com/wp-content/uploads/2024/07/KMG\\_TMcl\\_SIP\\_June\\_2024.pdf](https://www.zedra.com/wp-content/uploads/2024/07/KMG_TMcl_SIP_June_2024.pdf)

Changes to the SIP, covering the 12 months to 31 March 2025 are detailed on the following pages.

## 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 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 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 they invest; and
- Voting behaviour covering the reporting year up to 31 March 2025 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

- The Trustee agreed to adopt climate change, biodiversity and labour rights as Stewardship Priorities for the Scheme. These were noted in the June 2024 SIP and communicated to the investment managers.
- The full restructuring of the Scheme's liability hedge started during the reporting period following receipt of the updated cashflows and the 2024 annual funding update. Schroders implemented the new LDI benchmark and hedging targets in Q4 2024. The updates to the BlackRock LDI mandate were completed post reporting period in April 2025.
- Isio prepared the Scheme's annual Sustainability Integration Assessment ("SIA") report on behalf of the Trustee in March 2025. This document set out Isio's assessment of the ESG capabilities of each of the Scheme's underlying investment managers and identified areas for engagement.
- In March 2025, the Trustee agreed to restructure the Scheme's investment strategy by reducing its Buy & Maintain allocation, increasing its LDI allocation, restructuring the Credit Default Swap (CDS) overlay (reducing Investment Grade exposure, and removing all High Yield exposure) and introducing a new allocation to Asset-Backed Securities (ABS). PGIM was appointed as the Scheme's ABS manager.
- Implementation of the revised investment strategy was completed post reporting period. The CDS allocation was restructured in May 2025, as an initial update, with the work required to onboard PGIM, and implement the wider strategy changes due to be completed over Q3 2025.

### Implementation Statement

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

**Signed**

**Position**

**Date**

# Managing risks and policy actions

The Trustee has included a non-exhaustive list of risks and financially material considerations it has considered whilst implementing the Scheme's investment strategy.

On this page we will look at the risks outlined in the Scheme's SIP, the Trustee's policy and any actions in the accounting year taken to address those risks.

Risk / Policy	Definition	Policy	Actions and details on changes to policy
<b>Investment</b>	The risk that the assets underperform the investment objective.	<p>Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.</p> <p>Investing in a diversified portfolio of assets.</p>	<p>The Trustee agreed to restructure the Scheme's strategic asset allocation by reducing its Buy &amp; Maintain allocation, increasing its LDI allocation, restructuring the Credit Default Swap overlay, and introducing a new allocation to Asset-Backed Securities.</p> <p>The implementation of the agreed changes was completed post reporting period.</p> <p>The revised investment strategy will be reflected in the next SIP update.</p>
<b>Funding</b>	The extent to which there are insufficient assets available to cover ongoing and future liability cashflows.	<p>Funding risk is considered as part of the actuarial valuation and the investment strategy review.</p> <p>The Trustee will agree an appropriate basis in conjunction with the investment strategy to target the journey plan.</p>	There were no changes to the funding approach during the reporting period.
<b>Covenant</b>	The risk that the sponsoring company is unable to continue to provide the required financial support to the Scheme.	When developing the investment and funding objectives, the Trustee takes account of the strength of the covenant.	There were no changes to the covenant during the reporting period.

<b>Interest rates and inflation</b>	The risk of mismatch between the value of the assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge all the interest and inflation risk relative to the funding level on a liability Funding basis.	Work was ongoing during the reporting year to update the liability benchmark held by the Scheme's LDI managers following the availability of updated liability cashflows and the completion of the 2024 annual funding update.  The update of the liability benchmark with Schroders was completed in Q4 2024. The update with BlackRock was completed in April 2025 (post reporting end).
<b>Liquidity</b>	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 Trustee monitors the Scheme's collateral and liquidity position quarterly, to reduce the impact of this risk.
<b>Market</b>	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 possible.	The Trustee monitors risks in the portfolio quarterly.
<b>Credit</b>	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.	The Trustee monitors credit risks and concerns in the portfolio quarterly.
<b>Environmental, Social and Governance ("ESG")</b>	Exposure to ESG factors, including but not limited to climate change, which can impact the performance of the investments.	To delegate to investment managers the consideration of ESG factors in determining the appropriate holdings within their portfolios.  Unless there is a good reason to do otherwise, the Trustee will appoint managers who have a Responsible Investment ('RI') Policy / Framework which is Implemented via the Investment Process.  The Trustee has formulated their own "ESG Policy" which specifically addresses the Trustee's views and beliefs on ESG considerations, how ESG risks should be best managed within the Scheme,	The Trustee monitors the appointed investment managers to ensure that they are managing ESG risks in an appropriate manner and in line with the Trustee's ESG policy.  Over the period, the Trustee carried out an SIA on the Scheme's investment managers. This document outlined Isio's assessment of the managers' current ESG capabilities and identified areas for engagement.  The Trustee previously undertook the work required to agree a set of stewardship policies for the Scheme. These priorities were formally

		<p>and to what extent ESG factors should be integrated into the Scheme's investment strategy.</p> <p>In 2024, the Trustee agreed a set of stewardship priorities for the Scheme and shared them with the Scheme's investment managers.</p>	<p>agreed over the period and were documented in the June 2024 SIP and shared with the Scheme's investment managers.</p>
<b>Currency</b>	The potential for adverse currency movements to have an impact on the investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	There was no action taken in relation to this risk over the reporting period.
<b>Non-financial</b>	Any factor that is not expected to have a financial impact on the investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	There was no action taken in relation to this risk over the reporting period.

# Changes to the SIP

Over the 12-month period to 31 March 2025, the Trustee updated the SIP to ensure compliance with the latest guidance from the regulator. This focused on changes to reflect the Trustee's decision to adopt stewardship priorities.

## Changes to the SIP

Date updated: June 2024

### Stewardship Priorities

- The Trustee agreed a set of stewardship priorities for the Scheme and shared them with the Scheme's investment managers. The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters (including the Scheme's stewardship priorities) at least annually.
- The Trustee will ensure any agreed changes to the stewardship priorities are communicated to the investment managers in a timely manner to ensure alignment in voting and engagement activity.
- The Trustee has set the following stewardship priorities for the Scheme and has communicated these with their investment managers:
  - Climate change
  - Biodiversity
  - Labour rights

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Trustee has agreed a more detailed ESG policy which describes how they monitor and engage with the investment managers regarding their ESG policies.

This page details the Scheme's ESG policy.

<b>Risk Management</b>	<ol style="list-style-type: none"><li>1. ESG factors can be financially material and managing risks such as climate change forms part of the Trustee's decision making process, where possible.</li><li>2. Whilst the Trustee recognises the importance of considering and integrating all ESG risk factors, the Trustee places particular importance on climate risk and therefore will consider making additional allowance for the Scheme's climate impact within investment strategy design and implementation.</li><li>3. Whilst the Trustee wishes to invest in managers and funds that exhibit best practice in terms of ESG integration, the Trustee will continue to maximise the risk / reward profile of any investment. Any positive tilts to ESG factors will be made where the Trustee / investment manager(s) feels that these investments will generate superior long-term returns and/or lower risk.</li><li>4. The Trustee will consider the ESG values and priority areas of the sponsor. In addition, the Trustee will aim to consider the ESG values and the views of the Scheme's members where possible and appropriate.</li></ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"><li>5. The Trustee will seek to understand how investment managers integrate ESG considerations into their investment decisions and include reference to ESG capabilities in future evaluation criteria when selecting new investment managers or funds.</li><li>6. The Trustee believes that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will seek to allocate to these sectors.</li></ol>
<b>Voting &amp; Engagement</b>	<ol style="list-style-type: none"><li>7. The Trustee will seek to understand, where available, each investment managers' approach to engaging with portfolio companies and the effectiveness of these activities.</li><li>8. The Trustee has set clear stewardship priorities which have been communicated to the Scheme's investment managers to influence stewardship activity, engagement, and voting.</li><li>9. Managers investing in companies' debt, as well as equity, have a responsibility to engage with the management of investee companies on ESG issues.</li><li>10. The Trustee believes that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers.</li></ol>

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<b>Reporting &amp; Monitoring</b>	<p>11. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to develop and maintain an understanding of these factors.</p> <p>12. Through the Trustee's regular reporting and ongoing due diligence of the Scheme's investment managers, supported by their investment consultant, the Trustee will seek to monitor suitable ESG metrics, where available, to understand the impact of investments.</p> <p>13. The Trustee will take advice from their investment consultant to set appropriate ESG targets for the Scheme.</p>
<b>Collaboration</b>	<p>14. Investment managers should sign up and comply with common codes and practices such as the UNPRI &amp; the UK Stewardship Code. If they do not sign up, they should provide a valid reason why.</p> <p>15. Investment managers should engage and collaborate with other market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, social issues, risk management and debtholder rights.</p>

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# ESG summary and actions with the investment managers

The table below outlines the key findings of the Scheme's 2024/25 Sustainability Integration Assessment ("SIA"). This includes a summary of the current approach in relation to ESG and climate issues, and actions that have been identified at both the firm and mandate levels. Further details can be found in the Scheme's 2024/25 SIA report.

The investment advisor has shared these actions with the investment managers on behalf of the Trustee. Progress against these actions will be monitored annually and reported in the 2026 Implementation Statement.

	Firm ESG Summary	Actions Identified	Mandate ESG Summary	Actions Identified
<b>BlackRock – LDI &amp; CDS</b>	BlackRock have explicit stewardship priorities on which to engage with investee companies, overseen by a central team.	Introduce formal firm-level stewardship objectives within ESG policy.  Commit to a Net Zero target, with meaningful interim targets.	This mandate has no specific ESG objectives, but BlackRock do consider ESG in counterparty selection and monitoring.	Provide evidence of engagement with counterparties.  ESG metrics and data reporting should be verified.  Report on counterparty engagements and ESG scores.
<b>BlackRock – Buy &amp; Maintain</b>	BlackRock collaborate with initiatives on a broad range of ESG topics.	Reconsider position in relation to CA100+ and NZAMI membership.	The mandate has no specific ESG objectives, however ESG factors are integrated into the credit selection process.	Conduct more regular reviews of the ESG scorecard.  Document case studies of engagements, including outcomes.  Provide biodiversity metrics in reporting.
<b>Schroders – LDI &amp; CDS</b>	Schroders has strong firm-level ESG policies.  Schroders have a strong risk management approach by partnering with multiple academic institutions to help manage key risks.	Increase regular mandatory sustainability training at the firm-level.	This mandate has no specific ESG objectives, but Schroders do consider ESG in counterparty selection and monitoring.	Improve reporting capabilities of internal ESG scores and start to report mandate-level carbon footprints.  Consider changing their policy around disclosing their internal ESG ratings for counterparties.
<b>Schroders – Buy &amp; Maintain</b>			The mandate has no specific ESG objectives, however, ESG factors are integrated into the credit selection process.	Assess the effectiveness of green bonds and introduce sector-specific scorecards.

Update scorecards annually to keep up with market trends.

**CQS –  
Multi-Asset  
Credit**

CQS has strong firm-level ESG policies.

There is strong engagement with collaborative initiatives across industry topics.

Introduce a formal ESG training program with defined priorities.

Consider greater centralisation of stewardship to ensure efforts are joined up across fund teams.

The mandate has quantifiable ESG objectives and regular reporting includes ESG and climate metrics.

Develop ESG reporting further to cover social and nature metrics.

Increase overall engagement with underlying issuers on ESG matters.

Grow the coverage of reported / verified greenhouse gas emissions.

# 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 months to 31 March 2025.

Fund name	Engagement summary	Commentary
<b>BlackRock – Buy &amp; Maintain Credit + LDI</b>	<p><i>Buy &amp; Maintain Credit</i></p> <p>Total Engagements: 61 Environmental: 24 Social: 21 Governance: 56</p> <p>Natural Resource use and impact: 4 Climate Risk: 24 Human &amp; Labour Rights and Human Capital Management: 20</p> <p>Top 5 engagement topics Corporate strategy: 37 Business oversight/risk management: 32 Climate risk management: 24 Board effectiveness and director qualifications: 24 Compensation and remuneration: 20</p> <p><i>LDI</i></p> <p>Engagements with LDI entities: 108 at LDI desk level.</p> <p>Climate Risk: c.35 Biodiversity: c.5 Human &amp; Labour Rights and Human Capital Management: c.20</p> <p>Some engagements cover multiple topics.</p> <p>LDI information covers engagements for the 12 months to 31 December 2024.</p>	<p>At firm-level, BlackRock engages with many companies and looks to provide regular updates to clients about its engagement and voting policies. The Investment Stewardship team is responsible for encouraging sound corporate governance practices and encouraging companies to deliver long-term, sustainable growth and returns for clients through engagement and proxy voting.</p> <p>BlackRock consider ESG factors when carrying out its bottom-up credit analysis for the Buy and Maintain portfolio and will engage with the management of companies whose debt they are looking to purchase, through regular 1-to-1 meetings, to understand what these factors mean in practice. However, BlackRock do not impose a view on a company's ESG practices, or look to engage with them on it, but will look to determine what it means for a company's credit quality on a forward-looking basis, and how this could affect its ability to service its debt and credit profile.</p> <p><b>Buy and Maintain Portfolio – Shell</b></p> <p>BlackRock engaged with Shell in April 2024 to assess their updated Energy Transition Strategy and climate risk management, including alignment of targets with long-term value creation, amid a shareholder proposal urging changes to its climate strategy. This engagement is aligned with the Trustee's stewardship priority of climate change.</p> <p>Discussions focused on Shell's progress against its 2030 and 2050 net-zero goals, methodology for updating climate targets, and balancing energy transition risks and opportunities (e.g., renewable investments, emissions reductions).</p> <p>BlackRock supported Shell's management proposal to approve Shell's energy transition update and its</p>

	<p>The number of engagements per topic is estimated from the information provided by BlackRock.</p>	<p>Energy Transition Strategy 2024 (c.78% approval), citing credible progress and strategic clarity, but opposed the shareholder proposal (c.19% support) as overly prescriptive. BlackRock expects continued transparency on strategy execution and target adjustments as needed.</p> <p>Shell's strategy has received consistent BlackRock backing since 2021 (79–89% support), reflecting confidence in its transition roadmap.</p> <p><b>LDI Portfolio – Counterparty Bank (Barclays PLC):</b> BlackRock conducted sustained, high-level engagement with Barclays PLC between March 2024 and March 2025, focusing on climate risk integration, governance, and financial resilience.</p> <p>This engagement aligned with BlackRock's stewardship priorities (Climate and Natural Capital, Board Quality, and Strategy) and the Trustee's stewardship priority of Climate Change, and aimed to assess material financial risks and ensure robust management of sustainability-related challenges.</p> <p>Key interactions included meetings with the Chair of the Board, CEO, CFO, and senior climate risk leaders, culminating in a June 2024 deep-dive session co-led by BlackRock and a credit analyst. This examined Barclays' climate risk integration into decision-making and financed emissions management. In July 2024, direct feedback was provided at the board level on governance and disclosure improvements.</p> <p>BlackRock played an active leadership role, acknowledging Barclays' progress as an industry leader in climate disclosures and risk management. This informed BlackRock's support for all AGM proposals in May 2024, including the Climate Strategy resolution, which passed with over 90% approval. While specific changes cannot be attributed solely to engagement, Barclays demonstrated responsiveness to investor feedback, enhancing governance frameworks and transparency.</p>
<p><b>Schroders – Buy &amp; Maintain Credit + LDI</b></p>	<p><i>Buy &amp; Maintain Credit</i> Total Engagements: 68 Environmental: 66 Social: 28 Governance: 17</p> <p>Climate Change: 47 Natural Resource use and impact: 14 Human &amp; Labour Rights and Human Capital Management: 28</p> <p><i>LDI</i> Engagements with LDI entities: &gt;20 at LDI desk level</p>	<p>Schroders have undertaken a large number of engagements with its portfolio companies over the reporting period. The engagements concerned a range of subjects such as net zero carbon emission strategies, recommendations regarding Inclusivity &amp; Diversity, and other sustainability-related issues.</p> <p>The LDI team maintain contact with the Bank of England regarding issues that affect the gilt market as well as counterparties across a wide range of issues including climate change, diversity, governance oversight, transparency and disclosure, amongst others. Schroders also engage with the Debt Management Office (DMO) and counterparty banks on a regular basis.</p>

This information covers engagements for the 12 months to 31 December 2024.

Some engagements cover multiple topics.

Examples of engagements in the Buy and Maintain portfolio include:

**Buy and Maintain portfolio – Bond Issuer (DS Smith):** Schroders engaged with DS Smith to address two key environmental concerns: climate transition and water management. This aligns with Schroders' priority to support companies that minimise environmental impacts and enhance resource efficiency and the Trustee's priorities – Biodiversity and Climate Change. Schroders initially chose to engage with DS Smith, a key player in paper-based packaging, due to its significant reliance on water for production and the broader risks associated with water scarcity and pollution.

Schroders has continued with their long-standing engagement on water management, which began in 2020. The engagement successfully fostered improvements in the company's water management practices. DS Smith committed to implementing water management plans at all sites by 2025 and achieving a 10% reduction in water withdrawal per tonne of production by 2030. In 2023, Schroders followed up with Investor Relations and Sustainability teams to assess progress on these commitments.

While positive steps have been taken, Schroders remains cautious about water risk exposure and will continue to monitor progress to ensure alignment with sustainable practices. Moving forward, Schroders will continue to communicate with the company to monitor their progress and support them in meeting their water management targets.

In December 2024, Schroders engaged with the company to review its progress on climate transition plans. The discussion referenced the Net Zero Engagement Initiative (NZEI) self-assessment template, which Schroders views as a valuable tool for guiding dialogue.

Schroders acknowledged the company's significant progress toward NZEI expectations. Schroders intend to continue engagement, focusing on specific elements of the company's climate strategy, both collaboratively through NZEI and independently.

**LDI portfolio – Counterparty Bank (JPMorgan Chase & Co.):**

Schroders has conducted a long-standing engagement with JPMorgan Chase & Co due to significant exposure to climate and human rights risks through their global lending and capital markets activities. These risks include climate-related credit losses, legal liabilities, and reputational damage, particularly in relation to indigenous rights and conflict-affected areas. The focus on climate risks

		<p>relates to the Trustee’s stewardship priority of Climate Change</p> <p>Schroders has held multiple dialogues with the company, providing feedback on climate disclosures, including TCFD reporting, measurement of financed and facilitated emissions, and the publication of Energy Supply Financing Ratio (ESFR) in 2024, where JPMorgan led among US banks in disclosing this metric. Schroders also provided feedback on disclosure of social considerations in the bank’s Carbon Assessment Framework and have engaged to better understand how JP Morgan is navigating succession planning and developing a leadership team that can deliver on sustainability commitments.</p> <p>In relation to human rights, Schroders engaged the bank following a shareholder proposal in 2024, requesting an assessment of the impact of oil and gas financing on indigenous communities. This led to a meeting with JPMorgan’s environmental and social risk team after the 2024 AGM, where Schroders provided feedback on the indigenous rights disclosures, including providing more information on when enhanced human rights due diligence is conducted. Schroders believe the company was receptive to feedback, and the proposal was settled with its shareholder proponents in 2025, indicating progress.</p> <p>While JPMorgan has made measurable progress in climate-related disclosures and reporting, human rights engagement remains at an earlier stage, with steady but incomplete progress. Schroders plan to continue monitoring and engaging on the evolution of the Carbon Assessment Framework, improvements in client engagement disclosures, fossil fuel and green energy financing policies (particularly coal thresholds), enhanced transparency in succession planning and indigenous rights risk management.</p>
<p><b>CQS – Multi-Asset Credit Fund</b></p>	<p>Total Engagements: 78  Environmental: 100  Social: 37  Governance: 171</p> <p>Climate Change: 40  Natural Resource use and impact: 30  Human &amp; Labour Rights and Human Capital Management: 20</p> <p>Some engagements cover multiple topics.</p>	<p>CQS has undertaken many engagements with corporate issuers, banks to whom it provides regulatory capital relief, CLO managers, regulators and service providers. Its engagement priorities include sustainable business practices, good governance and financial disclosure, climate risk management and encouraging disclosure and diversity within a company.</p> <p>An example of an engagement includes:</p> <p><b>Materials Technology Company:</b> During 2024-2025, CQS engaged with a cathode materials producer regarding biodiversity concerns linked to historical mining activities in Europe, where deserted sites were alleged to have caused ecosystem damage and community harm, amplifying climate-related impacts.</p>

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CQS sought updates from management on decontamination progress at legacy sites, focusing on ecological risks from mineral procurement and the broader implications of their rehabilitation efforts. This engagement is particularly relevant to the Trustee's stewardship priority on biodiversity.

Management confirmed the completion of remediation at the Issart site in January 2025, sharing details of their rehabilitation strategy. While no firm timeline was provided for the Haldes site, management at Materials Technology Company indicated remediation would commence later in 2025, with a projected completion window of twelve months. Though public disclosures on financial and environmental outcomes remain pending, CQS welcomed the transparency on Issart's progress.

CQS plan to re-engage the investor relations team in late 2025 to assess Haldes' status. Separately, the company highlighted upcoming publication of its inaugural CSDR-aligned report, which will cover decarbonisation progress, circular economy metrics, taxonomy alignment, and sustainable procurement frameworks. CQS will monitor these disclosures for alignment with stated commitments.

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# Voting (for equity/multi asset funds only)

The Scheme does not currently invest in equity assets and therefore Isio do not expect any of the Scheme's managers to have a material number of voting rights.

