

KMG Thomson McLintock Pension Scheme

Statement of Investment Principles

This document constitutes the Statement of Investment Principles (“the SIP”) required under Section 35 of the Pensions Act 1995 for the KMG Thomson McLintock Pension Scheme (“the Scheme”). It describes the investment policy being pursued for the Scheme by the Trustee and is in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (“the 2001 Myners Principles” and subsequent revisions). This SIP also reflects the requirements of Occupational Pension Plans (Investment) Regulations 2005.

The Scheme’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Investment Objective

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid. The Scheme’s funding target is specified in the Statement of Funding Principles, and the Scheme’s funding position will be reviewed quarterly to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme’s circumstances.

To achieve this aim, the Trustee invests primarily in credit assets that aim to deliver a string of cashflows which match the Scheme’s liabilities. By investing in this manner, the expected return on the strategy equates to 1.0% per annum above the return on UK Government Bonds (long term expected returns based on the strategic asset allocation as at 30 September 2025). We note that the strategy’s expected return is variable, and will move with wider changes in market conditions.

Investment Strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme’s investment strategy.

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring employer’s, KPMG LLP’s (“the Firm”), covenant. The Trustee considered the merits of a range of asset classes.

The Scheme’s strategy is to invest according to the following broad asset allocation.

Asset Class	Central Allocation	Expected Return as at 30 September 2025 (relative to fixed interest gilts)
Physical Assets		
<i>Buy & Maintain Bonds*</i>	30.0%	0.5%
<i>Multi Asset Credit</i>	10.0%	3.3%
<i>Liability Driven Investment (“LDI”)*</i>	40.0%	0.0%
<i>Asset Backed Securities</i>	20.0%	2.0%
Total Physical	100.0%	0.9%
Synthetic Assets		
<i>Credit Default Swaps IG</i>	15.0%	0.6%
Total	115.0%	1.0%

*The LDI and Buy & Maintain Bonds mandates target a hedge in reference to 100% of the Scheme’s funding level. The cashflows generated from the ABF agreement are also incorporated into the hedge ratio.

The Scheme still has some residual exposure to BlueCrest (global macro) and Siguler Guff (distressed debt), not in the current strategy, due to the illiquid nature of these investments. We expect the exposure of these funds to decrease gradually over time.

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to grow in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

The Scheme also has an Asset Backed Funding (“ABF”) agreement in place with the Firm. The ABF will provide annual income to the Scheme which will be distributed on a monthly basis. The characteristics of the ABF have been taken into account by the Trustee in determining the Scheme’s investment strategy.

Leverage and collateral management

The Trustee will adhere to relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme’s liability hedging (LDI) and credit default swap (CDS) portfolios.

The Trustee has a stated collateral management policy. The Trustee has agreed a process for meeting collateral calls should these be made by the Scheme’s LDI and CDS investment managers. The Trustee will review and stress test this policy on a regular basis.

Further details on this can be found in Appendix E.

Investment Management Arrangements

The Trustee have appointed several investment managers to manage the assets of the Scheme as listed in the Appendix A. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments – the Trustee has communicated to each of the investment managers what the Scheme’s stewardship priorities are;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers’ policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

For the segregated investment mandates, the Trustee has appointed a custodian to operate alongside the investment managers in place. The custodian provides safekeeping for the assets and performs all associated administrative duties such as the collection of dividends.

As some of the Scheme’s assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme’s investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters via their investment adviser, with investment managers and/or other relevant persons about relevant matters.

The Trustee has received training on Environmental, Social and Governance (“ESG”) factors and how these can materially impact the Scheme’s performance. The Trustee expects its investment managers to take account of financially material considerations, including climate change and other ESG issues.

Over the course of 2021, the Trustee formulated their own “ESG Policy” which specifically addresses the Trustee’s views and beliefs on ESG considerations, how ESG risks should be managed within the Scheme, and to what extent ESG factors should be integrated into the Scheme’s investment strategy. Given the structure of the Scheme’s investments,

implementation of the ESG policy was expected to take time to feedthrough the strategy. Any changes to the investment strategy are considered against the agreed ESG policy.

The agreed ESG Policy can be found in full in Appendix D.

Under the new agreement, the Trustee will monitor the Scheme's assets against the Policy on an ongoing basis, with the assistance of Isio.

The Trustee views the development of the Policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time. When reviewing the Policy, the Trustee will take account of any significant developments in the market to ensure they are taking a best practice approach.

In 2024, 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.

With regards to monitoring the Scheme's investments, the Trustee also receives a quarterly performance report which details information on the Scheme's underlying investment performance, strategy and overall risks, which are considered at a relevant Trustee meeting. To aid with monitoring, the Scheme's investment managers may also be invited, in person, to present to the Trustee on their performance, strategy and risk exposures.

The circumstances with which the Trustee would seek further monitoring and engagement are;

- Significant changes to the investment strategy
- An increase in the risk levels beyond the Trustee's expectations within the assets managed by the investment managers.
- Significant underperformance versus the performance objective over the relevant period.
- The manager has not acted in accordance with their policies and frameworks (including stewardship priorities).

Employer-Related Investments

The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

Direct Investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisors.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisor, Isio Group Limited, are qualified by their ability in, and practical experience of, financial matters, and have the appropriate knowledge and experience. The investment advisor's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including, where appropriate, engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of conflicts of interest, ESG, the Scheme's agreed stewardship priorities and corporate governance matters), through the Scheme's investment advisor.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment advisor, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will, through the Scheme's investment advisor, engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the Firm and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Auditor Independence

The US Security and Exchange Commission (“SEC”) regulation on audit firms states that any US audit firm must have independence from any US corporation and its affiliates to which it has an audit relationship with. This means that the Scheme cannot invest with any investment managers who are also audit clients of the Firm. If this situation were to arise, for example the Firm were to win work as part of a material audit function of an existing investment manager, then the Firm and the investment manager, through the relationship held by the Scheme, would be deemed independence conflicted.

In addition to restriction on investment managers, where the Scheme holds assets on a segregated basis, the Scheme cannot invest in any securities issued by companies who are audit clients of the Firm. In order to aid compliance with this, the Scheme maintains a list of permitted securities which is updated by the Firm's compliance team and shared with the investment managers who manage segregated assets on behalf of the Scheme.

If an independence conflict were to arise with one of the investment managers, then the Trustee would be asked to unwind the entire investment from that investment manager. Similarly, if an independence conflict were to arise with one of the segregated securities, then the Trustee would be asked to unwind the entire holding in that security. Unfortunately, the SEC do not prescribe the time period over which this disinvestment should occur and as such this should be done immediately to ensure compliance with the independence regulation.

Given these implications, the Scheme should hold the majority of its assets in liquid investments to ensure that the Trustee can efficiently unwind all of the Scheme’s investment without incurring significant penalties and transfer the proceeds to an alternative manager.

At the current time, the majority of the Scheme’s investments offer a suitable level of liquidity to be disinvested within 90 days, provided normal market conditions hold. Due to the illiquid nature of the Scheme’s holdings with both BlueCrest and Sigular Guff, which are in the process of being wound down, disinvestment within a short time frame could potentially incur a loss to the Scheme should secondary market sales need to be utilised (for which best pricing may not be achievable). Importantly though, despite this potential loss, exposure to these managers can be removed within 90 days if required.

Signed:..... Date.....

On behalf of the Trustee of the KMG Thomson McLintock Pension Scheme

Appendix A – Investment Mandates

1. Schroders Plc – LDI & Credit Default Swaps

The Schroders mandate has a central allocation target of 25.0% of assets.

The Trustee has selected Schroders to manage a portion of the Scheme's LDI mandate and half of the Scheme's Investment Grade Credit Default Swap (CDS) exposure.

Schroders will target 50% of the Scheme's target LDI hedge with the LDI mandate and 50% of the overall Investment Grade CDS exposure.

2. BlackRock Investment Management (UK) Limited – Corporate Bonds

The Trustee has selected Blackrock to manage all of the Scheme's segregated Buy & Maintain Corporate Bonds mandate.

The mandate has a central allocation target of 30.0% of assets.

3. BlackRock Investment Management (UK) Limited – LDI & Credit Default Swaps

The BlackRock mandate has a central allocation target of 15.0% of assets.

The Trustee has selected BlackRock to manage a portion of the Scheme's LDI mandate and half of the Scheme's Credit Default Swap (CDS) exposure.

BlackRock will target 50% of the Scheme's target LDI hedge with the corporate bond and LDI mandates and 50% of the overall Investment Grade CDS exposure.

4. CQS (UK) LLP – Multi Asset Credit

The Trustee has selected CQS to manage the Multi Asset Credit mandate through their pooled Credit Multi Asset Fund.

The mandate has a central allocation target of 10% of assets.

5. PGIM, Inc – Asset Backed Securities

The Trustee has selected PGIM to manage the Asset Backed Securities mandate through their pooled Global Securitised Credit Fund.

The mandate has a central allocation target of 20% of assets.

6. SigulerGuff Advisors LLC – Distressed Debt

As part of the previous investment strategy, the Trustee had selected Siguler Guff Advisors LLC (“Siguler Guff”) to manage the Scheme’s Distressed Debt allocation through its Siguler Guff Distressed Opportunities Fund IV (F), LP (“SG fund”).

The SG fund draws down capital over time and distributes capital upon maturity of the underlying investments. The mandate does not have an allocation in the new investment strategy. However, the Scheme will retain a small allocation to the SG fund until all capital has been distributed.

7. BlueCrest Capital Management (UK) LLP – Global Macro

As at 31 March 2018 the Scheme retained a legacy allocation to BlueCrest Capital Management (UK) LLP (“BlueCrest”) through its AllBlue Fund.

The Trustee has now redeemed all units in this fund although a small residual holding is being temporarily retained due to the illiquid nature of the underlying investments.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the assets underperform the investment objective.	<ul style="list-style-type: none"> - Selecting an investment objective that is achievable and is consistent with the Scheme’s funding basis and the sponsoring company’s covenant strength. - Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cashflows.	<ul style="list-style-type: none"> - Funding risk is considered as part of the actuarial valuation and the investment strategy review. - The Trustee will agree an appropriate basis in conjunction with the investment strategy to target the journey plan.
Covenant	The risk that the sponsoring company is unable to continue provide the required financial support to the Scheme.	<ul style="list-style-type: none"> - When developing the Scheme’s investment and funding objectives, the Trustee takes account of the strength of the covenant.

The Scheme is exposed to a number of underlying risks relating to the Scheme’s investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme 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 of the Scheme on a liability Funding 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.

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 possible.
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.
Environmental, Social and Governance (“ESG”)	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme’s investments.	<p>To delegate to investment managers the consideration of ESG factors in determining the appropriate holdings within their portfolios.</p> <p>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.</p> <p>The Trustee monitors the managers on an ongoing basis.</p> <p>Over the course of 2021, the Trustee formulated their own separate “ESG Policy” which specifically addresses the Trustee’s views and beliefs on ESG considerations, how ESG risks should be best managed within the Scheme, and to what extent ESG factors should be integrated into the Scheme’s investment strategy.</p> <p>Given the nature of the Scheme’s investments, implementation of the ESG Policy was expected to take time to feedthrough the strategy. Any changes to the strategy are considered against the agreed ESG policy.</p> <p>Further information on the ESG policy is given in the main body of the SIP within the “Investment Manager Monitoring and Engagement” and “Governance” sections. The full ESG Policy is also included in Appendix D.</p>

		In 2024, the Trustee agreed a set of stewardship priorities for the Scheme, and shared them with the Scheme's investment managers. These priorities are set out in Appendix C.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
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.

Appendix C – Manager Remuneration

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.</p>	<ul style="list-style-type: none"> ○ The Trustee has segregated arrangements with the investment managers, thereby allowing investment managers to align their strategy with the Trustee’s policies. This is reviewed on an ongoing basis. ○ The exception to this is the Scheme’s Multi-Asset Credit mandate with CQS and Asset Backed Securities mandate with PGIM, which are implemented via pooled funds. As such, there is not scope for the fund to tailor their strategy and decisions in line with the Trustee’s policies.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> ○ The Trustee reviews the investment managers’ performance relative to medium and long-term objectives as documented in the investment management agreements. ○ The Trustee monitors the investment managers’ engagement and voting activity on an annual basis as part of their ESG monitoring process. ○ The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee policies.</p>	<ul style="list-style-type: none"> ○ The Trustee will review the performance of all the Scheme’s investments on a net of cost basis to ensure a true measurement performance versus investment objectives. ○ The Trustee will evaluate performance over the time period stated in the investment managers’ performance objective, which is typically 3 to 5 years. ○ Investment management fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range,</p>	<ul style="list-style-type: none"> ○ The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Scheme’s arrangements with the investment managers.</p>	<ul style="list-style-type: none"> ○ The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> ○ For closed ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with

	<p>the Trustee’s objectives and the Scheme’s liquidity requirements.</p> <ul style="list-style-type: none"> ○ For open ended funds, the duration is flexible, and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
<p>Voting Policy - How the Trustee expects investment managers to vote on their behalf</p>	<ul style="list-style-type: none"> ○ The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme’s investment managers on their behalf. ○ The Trustee has set the following stewardship priorities for the Scheme and has communicated these with their investment managers: <ul style="list-style-type: none"> ○ Climate change ○ Biodiversity ○ Labour rights
<p>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about ‘relevant matters’</p>	<ul style="list-style-type: none"> ○ 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’ (including stewardship priorities) at least annually. ○ Example stewardship activities that the Trustee has considered are listed below. <ul style="list-style-type: none"> ○ Selecting and appointing asset managers – the Trustee will consider potential managers’ stewardship policies and activities ○ Asset manager engagement and monitoring –the Trustee will assess 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

Appendix D – Environmental Social and Governance Policy Statement

1. Introduction

This Environmental, Social and Governance (“ESG”) Policy Statement (“the Policy”) has been prepared by Isio Group Limited (“Isio”) acting as the investment advisers to the Trustee of the KMG Thomson McLintock Pension Scheme (“the Scheme”). The purpose of the Policy is to sit alongside the Scheme’s Statement of Investment Principles (“SIP”), formalising the Trustee’s ESG beliefs and its policy on how ESG factors should be integrated in investment decision-making. The Policy will be made available to members upon request.

The Trustee defines Responsible Investment (“RI”) in line with the UN-backed Principle for Responsible Investing (“PRI”), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long term returns.

2. Rationale for the Policy

The Scheme is a large institutional investor, investing on behalf of its members. As part of the Trustee’s fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. The Trustee recognises that there is a need for the Scheme to be a long-term, responsible investor in order to achieve sustainable returns.

The Trustee believes that they should be responsible stewards of their assets and consider the wider impacts of their investment decisions on the environment and society. Where possible, and in line with the beliefs set out in this Policy, positive ESG outcomes will be targeted within the investment portfolios.

3. Impact of the Policy on investment decision making

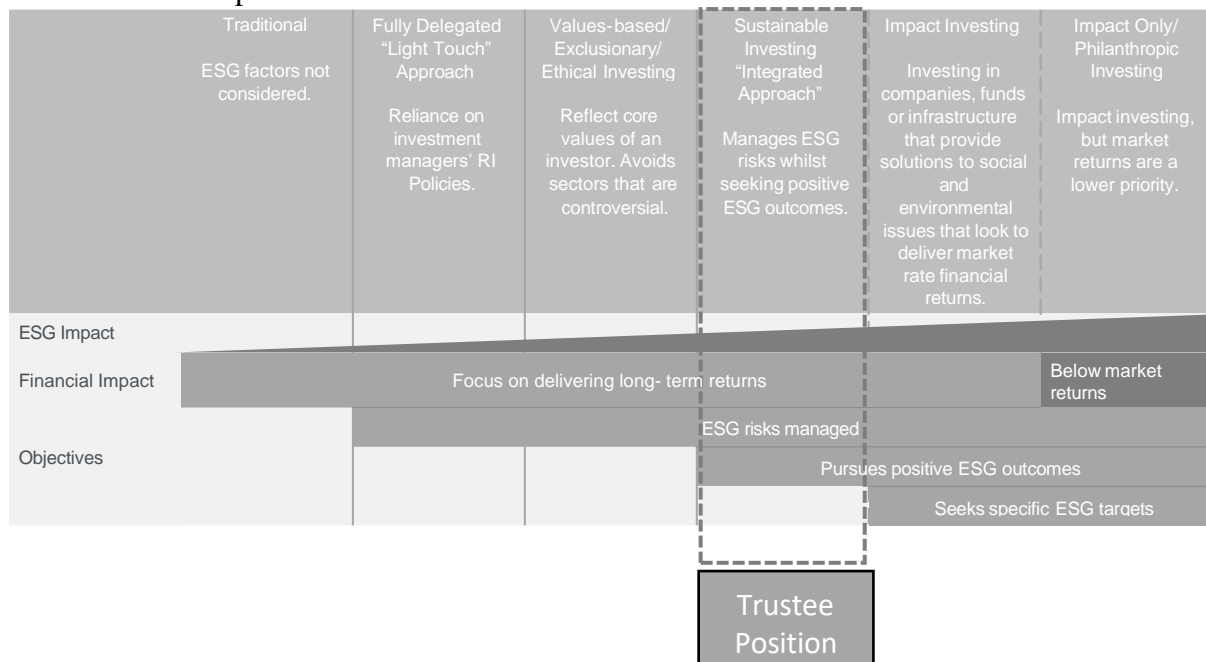
The Trustee decides the Scheme’s investment strategy and asset allocation. This includes which asset classes the Scheme should be invested in e.g. equity, property and credit. In making any portfolio construction decisions, the Trustee will have regard for the Policy.

Within each asset class, the Trustee delegates the day-to-day investment decision making to the investment managers – e.g. holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Scheme’s investment managers, the Trustee, with the assistance of Isio, considers the manager’s expertise, track record and stated policies and frameworks on ESG related issues. Going forward, as part of the initial and ongoing due diligence of the Scheme’s investment managers, the Trustee will assess and monitor their considerations of ESG factors and how these are incorporated into their investment decision making.

In addition, the Trustee will consider opportunities that may arise from regulation on ESG factors or market dislocations and will receive training and updates periodically to update them on these trends and opportunities.

4. ESG Approach

As per the spectrum of ESG approaches chart presented below, the Trustee wishes to pursue a “sustainable” investment approach that integrates ESG risk analysis into investment decision-making. However, when targeting this approach, other constraints that are specific to the Scheme and sponsor will be taken into consideration. The Trustee’s position is indicated on the spectrum chart below.



5. The Trustee’s ESG beliefs

The Trustee has formulated a set of ESG beliefs to help underpin overall investment decision making. The Trustee’s ESG beliefs have been summarised below.

Risk Management

- i. ESG factors can be financially material and managing risks such as climate change forms part of the Trustee’s decision-making process, where possible.
- ii. 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.
- iii. 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.
- iv. The Trustee will consider the ESG values and priority areas of the sponsor.

Approach/Framework

- i. 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.

- ii. 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.

Voting & Engagement

- i. The Trustee will seek to understand, where available, each investment managers' approach to engaging with portfolio companies and the effectiveness of these activities.
- ii. The Trustee has set clear stewardship priorities which have been communicated to the Scheme's investment managers to influence stewardship activity, engagement and voting.
- iii. Managers investing in companies' debt, as well as equity, have a responsibility to engage with the management of investee companies on ESG issues.
- iv. 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.

Reporting & Monitoring

- i. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to develop and maintain an understanding of these factors.
- ii. 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.
- iii. The Trustee will take advice from their investment consultant to set appropriate ESG targets for the Scheme.

Collaboration

- i. Investment managers should sign up and comply with common codes and practices such as the UNPRI & the UK Stewardship Code. If they do not sign up, they should provide a valid reason why.
- ii. 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.

6. Implementing the Policy

The Trustee will implement the policy through the following steps:

- i. The Trustee will continue to develop their understanding of ESG factors through annual training on ESG and keep themselves up to date on the latest sustainable investment opportunities.
- ii. The Trustee's ESG beliefs will be formally reviewed biennially or more frequently if required by the Trustee.
- iii. The Trustee will incorporate ESG criteria as part of new manager or fund selection

- exercises, with consideration of ESG factors for any segregated mandates.
- iv. The Trustee, with support from Isio, will undertake annual reviews of the investment managers' approach to integrating ESG factors.
- v. Following the initial review, actions will be identified where investment managers are misaligned with the Trustee's ESG beliefs. Isio will engage with each manager on the Trustee's behalf to remedy these issues where possible.
- vi. The investment managers' stewardship and engagement activities will be monitored on an ongoing basis to ensure they align with the Trustee's communicated stewardship priorities, and so that the Trustee can understand the effectiveness of these activities.

7. Monitoring and reviewing the Policy

The Trustee will monitor the Scheme's assets against this Policy on an ongoing basis, with the assistance of Isio. The Trustee views the development of the Policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time. When reviewing the Policy, the Trustee will take account of any significant developments in the market to ensure they are taking a best practice approach.

8.

A. What is the UN-backed Principles for Responsible Investment ("PRI")?

The PRI is a proponent of responsible investment.

The PRI aims to understand the investment implications of ESG factors and helps support its international network of signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations. The PRI provide education, training and research on how ESG factors can be incorporated in investment decisions.

Source: www.unpri.org

B. What are the six UN-backed Principles for Responsible Investment?

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Source: www.unpri.org

C. What are Environmental, Social and Governance (“ESG”) factors?

Examples of ESG factors include:

- Environmental
 - Climate change
 - Resource depletion, including water
 - Waste and pollution
 - Deforestation
- Social
 - Working conditions, including slavery and child labour
 - Local communities, including indigenous communities
 - Conflict
 - Health and safety
 - Employee relations and diversity
- Governance
 - Executive pay
 - Bribery and corruption
 - Political lobbying and donations
 - Board diversity and structure
 - Tax strategy.

Source: www.unpri.org

Appendix E – Collateral management policy

The Trustee is targeting a level of collateral sufficient to comply with each of the Scheme's LDI managers' minimum requirements:

- **BlackRock LDI:** BlackRock require the Scheme to hold a minimum total collateral waterfall buffer of 290 bps to maintain its liability hedge. An overall collateral waterfall buffer of 300-400bps is recommended.
- **BlackRock CDS:** The Scheme utilizes the same pool of collateral used to support the LDI portfolio to support its CDS exposure. BlackRock require the Scheme to hold collateral equivalent to 15% of the Notional Market Value of the CDS exposure in order to maintain its exposure.
- **Schroders LDI:** Schroders require the Scheme to hold a minimum collateral buffer of 200 bps within its LDI assets to maintain its liability hedge, with an additional buffer of 200bps (total 400bps coverage) in assets invested on the wider Schroders platform.
- **Schroders CDS:** The Scheme utilizes the same pool of collateral used to support to the LDI portfolio to support its CDS exposure. Schroders require the Scheme to hold collateral equivalent to 10% of the Notional Market Value of the Investment Grade CDS exposure to maintain its exposure.

Due to the segregated nature of the Scheme's LDI arrangements, the Trustee delegates management of the LDI portfolios to BlackRock and Schroders.

If the Scheme's collateral reduces, the managers will revert to the Trustee and Isio to request additional capital prior to taking any further actions.

If additional funds cannot be paid across, the Trustee has granted BlackRock discretion to implement the use of corporate bond repo and/or total return swaps on debt securities within the buy and maintain portfolio, and/or sell assets in this portfolio, to restore collateral headroom. Schroders do not hold a buy and maintain portfolio so are unable to utilize these additional sources of collateral. The Trustee has also granted BlackRock discretion to the extent to which these options are utilized and the level to which the collateral headroom is restored. When utilizing these options BlackRock will maintain ongoing dialogue with both the Trustee and Isio to make them aware of the action being taken, and to identify whether external funds are likely to be available.

The Trustee will review their collateral management policy at least annually, or as soon as possible in the event of significant market movements.

Signed:

Name:

Date: