Implementation Statement – wording for accounts

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 UK pension scheme trustee's fiduciary duties.

Implementation Report

This implementation report is to provide evidence that the Trustees of the Malcolm Group Staff Pension Scheme ("the Scheme") continue to follow and act on the principles outlined in the Scheme's Statement of Investment Principles ("SIP").

The Scheme's SIP was updated over the reporting period in March 2024, to account for changes made to the Scheme's investment strategy. No changes were made to policy wording or investment approach.

The latest SIP can be found online at the web address:
https://www.dalriadatrustees.co.uk/wp-content/uploads/2024/09/The-Malcolm-Group-Staff-Pension-Scheme-SIP-Signature-redacted-1.pdf

Please note, the SIP is currently under review to reflect changes to the Scheme's investment strategy implemented in July 2025. Changes to the SIP will be noted and reflected in future accounting disclosures.

The Implementation Report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP;
- the Trustees' current policy and approach with regards to ESG and the actions taken with investment managers on managing ESG risks;
- the extent to which the Trustees have followed policies on engagement covering engagement actions with the Scheme's fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandates;
- voting behaviour covering the reporting period to 30 June 2025 for and on behalf of the Scheme, including the most significant votes cast by the Scheme or on its behalf;
- the voting behaviour of the Scheme's investment managers covering the reporting period to 30 June 2025 (noting the Trustees' delegation of Scheme voting rights to the investment managers through its investment via pooled fund arrangements).

Summary of key actions undertaken over the Scheme's reporting period

Over the reporting period, the Malcolm Group Staff Pension Scheme and the Malcolm Group 1989 Pension Scheme were merged. While the Malcolm Group Staff Pension Scheme

and the Malcolm Group 1989 Pension Scheme had marginally different investment strategies over the reporting period, these were merged to align with the Staff Scheme at the accounting period-end.

The strategic changes below relate to the pre-merged Schemes' combined assets, on which the Trustees based key strategic decisions acknowledging the upcoming merging of assets as a single Scheme (the Malcolm Group Staff Pension Scheme):

- Over the period, the Trustees' increased the Scheme's liability hedge twice (March 2024 and February 2025); and
- The Trustees' reduced the Scheme's equity exposure in December 2024, noting an improvement in funding position and an opportunity to partially de-risk the strategy.

The strategic changes above were taken in consideration of improvements in the Scheme's funding position, and an opportunity to incrementally reduce risk to protect the Scheme's funding level.

Further strategic changes were implemented following the reporting period. These will be reflected in future reporting disclosures.

Implementation Statement

This report demonstrates that the Trustees of the Malcolm Group Staff Pension Scheme have adhered to the investment principles and policies set out within this document for managing financially material consideration, including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions over reporting period
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 a fixed proportion of these risks via a targeted Liability Driven Investment (LDI) mandate.	The Trustees increased the Scheme's liability hedge in February 2025 to increase the Scheme's protection against changes in interest rates and inflation. Following the merger between the Staff Scheme and the 1989 Scheme, and a change in the underlying joint cashflows due to a liability management exercise, the Trustees rebalanced the Scheme's liability hedge shortly after the reporting period ended.
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.	Over the reporting period, the Trustees continued to receive regular updates from their investment adviser on the Scheme's liquidity position to ensure this remained robust.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustees partially de-risked the Scheme's investment strategy by reducing the allocation to equity in December 2024. The proceeds from the reduction were held in a liquidity fund over the merger period, before being redeployed into the strategy in the low-risk ABS allocation after the reporting period ended.
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.	No change over the accounting period. Following the reporting period, the Trustees agreed to remove the credit overlay within the LDI funds as a further de-risking measure. This will be reflected in future reporting.

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.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustees monitor the mangers on an ongoing basis.	The Scheme continues to invest in an ESG-tilted, passive equity fund. Monitoring of the Scheme's investment managers continues to be achieved via their investment adviser's ESG ratings communicated in quarterly investment reports. The Trustees' investment adviser informs the Trustees should there be any change to the Scheme's investment managers' ESG ratings or major changes in their approach. Further detail on voting and engagement data is provided later in this report.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The Scheme's current mandates hedge all the currency risk back to Sterling Any active current positions taken by the managers, i.e. equities and DGF, are risk managed and at the discretion of the managers	No change over accounting period.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments. This includes the extent to which the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme in the selection, retention, and realisation of investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments	

Changes to the SIP

The Scheme's SIP was updated over the reporting period in March 2024. The updates accounted for changes to the Scheme's investment strategy. There was no change to policy wording or investment approach. The SIP is currently being updated for further strategic changes implemented in July 2025. Once agreed, future updates to the SIP will be noted and reflected in future accounting disclosures.
Date last updated: March 2024

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Trustees' policies with regards to ESG as a financially material risk.

To date, the Trustees have not set explicit ESG policies. Instead, they refer to Isio as their investment adviser to research and provide views on the investment managers' ESG policies and integration to ensure this remains satisfactory by a set of minimum ESG criteria.

The below table outlines the areas which the investment managers are assessed on when their ESG policies and engagements are evaluated by Isio.

Areas of assessment and ESG beliefs

Risk management	1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee
Approach / Framework	3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Voting & Engagement	6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge. 8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Reporting & Monitoring	9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.

Collaboration	11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

ESG summary and actions with the investment managers engagement

Engagement with investment managers

To date, the Trustees have not yet carried out a formal ESG review of the Scheme's investment managers, either directly or indirectly via Isio as the Scheme's investment adviser.

Isio continue to engage with the Scheme's investment managers on their ESG policies on an ongoing basis to ensure they meet a set of minimum criteria, as defined by Isio.

Investment managers' engagement activity

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category.

Due to reporting cycles, some managers have provided for part-period depending on the frequency of their reporting and engagement analysis.

- M&G were able to provide engagement data covering the 18-month period between 31 December 2023 and 30 June 2025.
- Apollo, LGIM and Insight provided engagement data for the 12-month period to 30 June 2025.
- JP Morgan could only provide fund-level data for the 12-months to 31 December 2024.

Fund name	Engagement summary	Commentary
Apollo – Total Return Fund	No. of companies engaged: 198 Total engagements: 226 Of which: Environmental: 218 Social: 219 Governance: 218 Other: 3 (Note: some engagements will classify under multiple ESG topics)	Apollo have a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion management, and these engagements have been a key driver to produce formal company ESG reports. Examples of significant engagement(s) include: **SCIH Salt Holdings Inc. ("Morton Salt")** Apollo engaged with Morton Salt management to assess its sustainability practices across ESG areas. On environmental factors, Apollo pressed whether the company calculates GHG emissions and what energy efficiency measures it has in place. The company confirmed it calculates GHG emissions for its consumer segment but not across

		its full footprint. Additionally, the company confirms it actively monitors energy usage and has implemented efficiency measures at multiple sites. The company is also working to expand the non-weather-dependent portion of its Consumer business to reduce exposure to volatility in its de-icing segment. On social factors, Apollo queried the company's health and safety practices and supply chain management. The company reported strong health and safety performance, claiming that based on their safety metrics, they place in the top quartile of industrial peers. Apollo note the company's supply chain is underpinned by a comprehensive compliance framework, including codes of conduct, human rights policies, and a dedicated ethics hotline. The company employs best practices in hiring and training, works with reputable suppliers and customers, and complies with local regulations. Apollo note the Company does not currently have a dedicated sustainability team. While foundational practices are in place, further development may be needed to support a more integrated ESG strategy.
Insight – Liquid ABS Fund	No. of companies engaged: 55 Total engagements: 70	Insight engages with issuers within the securitised fixed income space, as well as counterparties, on ESG issues. Examples of significant engagement(s) include: **Bavarian Sky ("BSKY")** Insight engaged directly with BSKY, a leading issuer in the European Auto ABS market, to discuss poor transparency in carbon reporting, and to understand the environmental and social impacts of their EV lending. BSKY were open to engagement and focused on 1-2-1 with their Head of Structured Finance. BSKY remain committed to EV lending through its 'Neue Klasse' strategy, anticipating higher EV sales and ABS issuance. Securitisation accounts for 20% of its funding. BKSY noted that their carbon reporting is progressing, with plans to include CO_2 emissions data in future annual reports. No UK issuance is expected until commission findings are released, but updated contracts now ensure greater borrower transparency on commission payments.
Insight – LDI Credit Enhanced Gilts Portfolio	No. of companies engaged: 66 Total engagements: 109 Of which: Environmental: 86 Social: 43 Governance: 39	Insight has engaged with a number of industry participants on long-term strategic issues in relation to LDI, including: - Green gilt issuance - Liaising with the FCA and TCFD in relation to climate change reporting disclosures - Working with derivative counterparty banks on the integration of ESG factors into the assessment of credit risk.

	Other: 280 (Note: some engagements will classify under multiple ESG topics)	The team regularly engages with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.
Insight – Liquidity Plus Holding Fund	No. of companies engaged: 15 Total engagements: 20 Of which: Environmental: 10 Social: 9 Governance: 6 Other: 54 (Note: some engagements will classify under multiple ESG topics)	Insight engages with portfolio counterparties on a range of ESG issues. Examples of significant engagement(s) include: **Banco Santander, S.A.** Insight engaged with the Spanish-based bank to better understand how ESG risks are managed following their answers to Insight's Counterparty Sustainability Assessment Questionnaire. Insight focused their engagement on climate, natural capital, and human rights. In terms of climate, Insight notes the bank performs well relative to peers as it reports on financed emissions for six sectors and has published a transition plan. However, it does not report on facilitated emissions. Insight noted this as an objective during engagement, and noted they will follow up with a feedback report on this area. Insight engaged with the bank on its human rights policy as it had not been updated since 2019. Insight have requested that the bank updates its human rights policy in line with the Bank Track assessment and will follow up in 2025. During the engagement, the bank was keen to know areas they could improve. Insight will share a feedback report in 2025 and will monitor its progress through the counterparty engagement programme.
J.P. Morgan ("JPM") – Infrastructure Investment Fund ("IIF")	JPM do not provide a quantifiable breakdown of engagements over the period, but note that they engage frequently with all of the Fund's portfolio companies due to the Fund having 100% ownership or control positions in the portfolio companies.	JPM's engagement activities are formed as part of their Stewardship model, in which investment professionals liaise with Stewardship specialists on a global scale. Through JPM's control position, the Fund is actively engaged with the underlying portfolio companies and management teams with regards ESG matters. Each portfolio company customises a comprehensive ESG framework with specific objectives and goals, as well as monitoring procedures and practical implementation of best practices. In addition, ESG is a Board agenda item and updates are given at each board meeting. Examples of significant engagement(s) include: **South Jersey Industries (SJI)** JPM engaged with SJI, an energy services company that owns natural gas utility and non-utility companies. The engagement emphasised JPM's governance controls, proactive asset management, and investment in energy transition projects that support climate objectives and deliver more sustainable energy to customers. As the sole owner of SJI, JPM collaborate closely with SJI's management and board on specific energy projects, ensuring their integration into business

		plans and overall strategy. An example of an energy project developed by SJI is the Linden Renewable Energy Project, one of the biggest food waste-to-renewable natural gas projects in the US. This project aims to convert organic waste into pipeline-quality renewable natural gas that will displace fossil fuels. **All JPM IIF Holdings** JPM conducted an annual board effectiveness survey involving all portfolio holdings, with each portfolio company participating. The responses are compiled and presented at the IIF Investor Committee Meeting. As IIF holds full or majority ownership of its portfolio companies, understanding the Board's strengths and weaknesses is essential for executing business plans and long-term strategies.
LGIM – Future World Global Equity Index Fund	No. of companies engaged: 1,074 Total engagements: 1,558 Environmental: 1,163 Social: 410 Governance: 289 Other: 119 (Note: some engagements will classify under multiple ESG topics)	LGIM currently do not provide examples of their engagement activities at Fund level. LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engage with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based. LGIM have not provided examples of Fund-specific significant engagements.
M&G – Total Return Credit Investment ("TRCI") Fund	No. of companies engaged: 16 Total engagements: 28 Environmental: 21 Governance: 1 Social: 6 Other: 2 (Note: some engagements will classify under multiple ESG topics)	M&G have a systematic approach to engagements whereby specific objectives are outlined in advance and results measured based on the outcomes from the engagements. M&G Analysts are expected to have a more granular awareness of key ESG risks which impact the individual issues they monitor. Where engagement is deemed to be necessary, analysts engage with issuers supported by M&G's Corporate Finance & Stewardship ("CF&S") Team, allowing them to leverage their expertise and sustainability themes. Examples of significant engagement(s) include: **ØRSTED** M&G met with the Company to discuss the Nature Action 100 benchmark with the company's global sustainability and biodiversity team. Ørsted was selected by M&G due to the potential negative biodiversity impacts of offshore wind and the request for publication of forward-looking milestones to measure progress. Ørsted is making progress in biodiversity, by gathering feedback

		from NGOs, academia and others, with the aim to implement its framework in early 2025. The company is also integrating advanced tech like AI cameras into its framework. M&G are very satisfied that Ørsted is taking biodiversity seriously, and they intend to follow up after the initial framework and metrics have been published next year **Tesco Corporate Treasury Services Plc** M&G engaged with the company to encourage them to provide updates on their approach to modern slavery risk in the supply chain. Tesco was selected by M&G's screening process due to its operation in a high-risk sector. Through annual follow up calls with the company's head of ESG, M&G encouraged the company to strengthen its modern slavery disclosures and practices. The company confirmed its commitment, with modern slavery a key focus of its Human Rights strategy. Since 2020, it has engaged stakeholders to refine its approach, considering COVID-19 and Brexit impacts. M&G confirmed they are satisfied with Tesco's reporting and progress and will to continue to have ongoing engagement.

Voting (applicable for the Scheme's equity and multi asset funds only)

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's only equity investment manager, LGIM, have provided details on their voting actions including a summary of the activity covering the reporting period. LGIM also provided examples of significant votes, with one summarised as an example below.

Fund name	Voting summary	Examples of significant vote(s)	Commentary
LGIM Future World Global Equity Index Fund	Votable Proposals: 55,250 Proposals Voted: 100.0% Votes with management: 81.4% Votes against management: 17.4% Votes abstained: 1.2%	**Microsoft (c.4.9% holding) December 2024 Responsible data usage** LGIM voted for Microsoft to produce a report on AI data sourcing accountability. LGIM believe this to be important as the company is facing increased legal and reputational risks related to copyright infringement. LGIM note Microsoft have strong disclosures on its approach to responsible AI and related risks. However, they believe shareholders would benefit from greater attention to risks related to	LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.

		how they use third-party information to train its large language models. The vote failed, and LGIM continue to publicly advocated their position on this and monitor company and industry-level progress. **Alphabet (c.0.9% holding)** **June 2024 / June 2025** **Board Diversity** LGIM voted against the election of Director John L. Hennessy as the board is expected to be regularly refreshed and to have at least one-third women on the board. LGIM consider this to be a significant vote as gender diversity is deemed to be financially material to investment performance. While the voting outcome was successful, LGIM will continue to engage with the company and monitor its progress.	