

## IMPLEMENTATION STATEMENT

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 Trustees have taken to manage financially material risks and implement the key policies outlined within the Scheme's SIP;
- The Trustees' current policies and approach to ESG considerations, and the actions taken with each of the Scheme's investment managers on managing ESG risks;
- The extent to which the Trustees have followed policies relating to engagement, covering both their engagement with the Scheme's investment managers and the engagement activity of each of the investment managers with the companies and counterparties in which they invest; and
- The voting behaviour of the Scheme's investment managers covering the reporting year to 31 December 2021 (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 year

Following a formal review of the Scheme's investment strategy in February 2021, the Trustees agreed to a number of strategic and manager changes to better align the strategy with the Trustees' agreed long-term objective – to achieve a fully funded position on a self-sufficiency basis (Gilts + 0.5%). The strategic changes made over the reporting period included:

- Replacing the Scheme's Diversified Growth Manager: In April 2021, the Trustees agreed to switch the Scheme's diversified growth manager from Ninety One to BlackRock. The transition of assets from Ninety One to BlackRock was finalised on 9 July 2021.
- Restructuring the Scheme's Credit Portfolio: The Trustees agreed to restructure the Scheme's credit portfolio, introducing a semi-liquid credit mandate and replacing BlackRock as the Scheme's existing diversified credit manager. The Trustees agreed to appoint Apollo as the Scheme's semi-liquid credit manager and M&G as the Scheme's replacement diversified credit manager. The onboarding of Apollo and M&G was finalised over Q4 2021, with the new mandates being funded via disinvestments from the BlackRock diversified credit, diversified growth and cash allocations.
- Allow the Direct Lending mandate to unwind: The Scheme's Direct Lending mandate with KKR is currently in its distribution phase and is expected to unwind over the next 12 – 18 months. The Trustees agreed that the Direct Lending mandate should be allowed to unwind with the proceeds being redeployed elsewhere within the Scheme's strategy.
- Implement an Infrastructure Equity mandate: The Trustees agreed to make an allocation to the River and Mercantile ("R&M") Infrastructure Income Fund, subject to final due diligence checks amid corporate activity within R&M. The onboarding of R&M is due to be finalised in early 2022.

ESG factors were considered as part of the Trustees' decision making process and evaluation criteria of selected managers, with focus given to the new managers' ESG capabilities throughout the selection process.

This report demonstrates that the Trustees of the Simpsons Malt Group Pension Scheme have adhered to the Scheme's investment principles and their policies for managing financially material considerations, including ESG factors and climate change.

29 June 2022

Candia Kingston, Capital Cranfield, Chair of Trustees

## 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 60% of these risks on a gilts-flat liability basis.	<p>No additional action or change over reporting period.</p> <p>The Trustees have agreed to review the Scheme's LDI hedge position over Q1 2022.</p> <p>Any changes to the Scheme's investment strategy resulting from this review will be documented within the Scheme's SIP accordingly.</p>
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/synthetic equity mandates when required.	No additional action or change over reporting period.
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.	<p>Following a formal strategy review in February 2021, the Trustees agreed to a number of strategic and manager changes to reduce risk and better align the strategy with the Scheme's agreed long-term objective (achieve a fully funded position on a self-sufficiency measure – Gilts + 0.5%). These changes have been outlined in the previous section.</p> <p>These changes have been documented within the Scheme's SIP.</p>

Risk/ Policy	Definition	Policy	Actions over reporting period
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.</p>	<p>The Trustees restructured the Scheme's credit portfolio over the period, replacing the existing diversified credit manager and introducing a new semi-liquid credit mandate.</p> <p>The restructuring of the credit portfolio aimed to achieve greater diversification across both liquid and illiquid asset classes across the credit spectrum and reduce the reliance on a single manager to generate returns.</p> <p>These changes have been documented within the Scheme's SIP.</p>
Environmental, Social and Governance (ESG)	Exposure to Environmental, Social and Governance ("ESG") factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> <li>5. UN PRI Signatory</li> </ol> <p>The Trustees monitor the managers on an ongoing basis.</p>	As part of the implementation of the Scheme's revised investment strategy, the Trustees evaluated the short-listed managers' ESG credentials when selecting the new diversified growth, semi-liquid credit, diversified credit and infrastructure equity mandates.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Allow the Scheme's active managers who invest in overseas securities the flexibility to hedge overseas currency exposure to manage risk.	No additional action or change over reporting period.

Policies added to the SIP over reporting period
Date updated: September 2019
<ul style="list-style-type: none"> <li>No new policies were added to the SIP over the reporting period.</li> </ul>

## Implementing the current ESG policy and approach

### ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following page outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Scheme's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

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

### Implementing the current ESG policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
ESG factors and the exercising of rights and engagement activity	<ul style="list-style-type: none"> <li>Through the manager selection process, ESG considerations will form part of the evaluation criteria.</li> <li>The Scheme's investment advisor, Isio, will monitor managers' ESG policies on an ongoing basis.</li> <li>When attending trustee meetings, investment managers will be asked to present to the Trustees on actions they have taken in respect of ESG factors and their exercise of rights and engagement activity.</li> <li>The Trustees review the Scheme's investment managers' ESG policies at least on an annual basis to ensure they continue to operate in line with their ESG policies.</li> </ul>	<ul style="list-style-type: none"> <li>The investment manager has not acted in accordance with their policies and frameworks.</li> <li>The investment managers' ability to abide by the Trustees' ESG policies ceases due to a change in the manager's ESG policies.</li> </ul>

## Areas of assessment and ESG beliefs

Risk management	<ol style="list-style-type: none"> <li>1. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustees.</li> <li>2. The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy (e.g. selecting an infrastructure equity fund with positive ESG credentials via focus on renewable energy and other green initiatives).</li> </ol>
Approach / Framework	<ol style="list-style-type: none"> <li>3. The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities.</li> <li>4. The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will allocate to these sectors.</li> <li>5. The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.</li> </ol>
Voting & engagement	<ol style="list-style-type: none"> <li>6. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.</li> <li>7. The Trustees believe that engaging with managers is more effective to initiate change than divesting, and so will seek to communicate key ESG actions to the managers in the first instance before a decision is made on whether to exit on the grounds of poor ESG practice/engagement.</li> <li>8. The Trustees want to understand the impact of voting &amp; engagement activity within their investment mandates.</li> </ol>
Reporting & monitoring	<ol style="list-style-type: none"> <li>9. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge.</li> <li>10. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.</li> </ol>
Collaboration	<ol style="list-style-type: none"> <li>11. Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD.</li> <li>12. The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues.</li> </ol>

## ESG summary and engagement

### Engagement with investment managers

While the Trustees consider a manager's ESG credentials when appointing them within the Scheme's strategy, a detailed ESG review of the Scheme's investment managers has not yet been carried out.

Isio has engaged with all the Scheme's investment managers on their ESG policies to ensure they meet a set of minimum criteria.

The Trustees will look to review the appropriateness of their position in 2021 following completion of the formal investment strategy review and implementation of any transitional arrangements.

### Investment managers' engagement activity

As the Scheme invests via pooled funds managed by various investment managers, each manager has provided details on their engagement activities, including a summary of the engagements by category over the Scheme's reporting year.

Fund name	Engagement summary	Commentary
Apollo Total Return Credit Fund	Total Engagements: 82  Environmental: 14  Social: 3  Governance: 43  ESG: 22	<p>Apollo has a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports and Key Performance Indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors.</p> <p>Examples of significant engagements include:</p> <p>Adani Ports and Special Economic Zone Limited - Apollo met with the Company to discuss the steps that have been taken to improve ESG, including the firm's investment in Myanmar, their exposure to coal, corporate governance and the appointment of the new CFO. Following this engagement, the Company announced its exit from Myanmar, provided information on the trajectory of coal usage within its ports over the next 10 years, confirmed that there would be no investment in the Carmichael coal mine (a large coal mine located in Queensland, Australia) and constituted a Corporate Responsibility Committee comprised of Independent Directors to provide assurance for all ESG commitments.</p> <p>AngloGold Ashanti Holdings PLC. – Following a fatality at the Company's mine in Obuasi, Ghana in May 2021, Apollo held a virtual meeting with the firm to ask the Treasurer and CFO to review the steps taken following the incident. Following the engagement, mining activity was ceased for 4</p>

		<p>months to examine the site for any further structural issues that could lead to the collapse of mining structures and further fatalities. Apollo will continue to engage with the Company.</p> <p>Bank Hapoalim B.M. – Apollo met with the Company's senior management during a new issue roadshow. Apollo encouraged the firm to provide additional, public progress updates on the improvements made in their AML checks following a 2020 fine for FIFA money laundering. The management team reiterated the changes that have been made following the FIFA scandal and agreed to hold 1-to-1 calls to provide updates on their progress.</p>
LGIM LPI Income Property Fund	<p>LGIM currently do not provide details of their engagement activities at a Fund level, however, this is something they are looking to implement going forwards.</p> <p>Isio remains in contact with LGIM surrounding the firm's engagement reporting.</p>	<p>Due to the nature of most of the leases within the LPI Fund, LGIM can only engage with the tenants of the assets which are held in the Fund</p> <p>They maintain dialogue with all occupiers, and as part of this, positive ESG-related behaviours are encouraged.</p>
KKR European Lending Partners	<p>KKR failed to provide data for their engagements over the reporting period.</p> <p>KKR has not historically tracked individual instances of engagement. Given the Fund's investment period ended in 2019, KKR did not have a robust method of tracking ESG engagement on all investments.</p>	<p>Although KKR engages with different entities (such as companies, regulators, and government) they do not track engagement on any topic, including ESG related issues.</p> <p>Should ESG issues be material to the credit worthiness of a deal, KKR may involve senior advisors and internal experts to engage with the portfolio company pre-investment.</p> <p>Once invested, KKR will monitor deals on an ongoing basis and track and quantify ESG issues where possible.</p> <p>KKR were unable to provide clear examples of engagements pursued in relation to Environmental, Social or Governance concerns.</p>
M&G Total Return Credit Investment Fund	<p>Total Engagements: 10</p> <p>Environmental: 5</p> <p>Governance: 5</p>	<p>M&amp;G have a systematic approach to engagements whereby specific objectives are outlined in advance and results measured based on the outcomes from the engagements.</p> <p>M&amp;G Analysts are expected to have a more granular awareness of key ESG risks which impact</p>

		<p>the individual issues they monitor. Where engagement is deemed to be necessary, analysts engage with issuers supported by M&amp;G's Sustainability and Stewardship Team, allowing them to leverage their expertise and sustainability themes.</p> <p>Examples of significant engagements include:</p> <p>HSBC – M&amp;G engaged with members of HSBC's board (including the chair and chief executive and the head of sustainability) in a collective meeting arranged by the Investor Forum to encourage both HSBC and NGO ShareAction to compromise on a single climate resolution. M&amp;G then met separately with ShareAction, where they made it clear that they did not see a large gap between the two resolutions, and that it would be better for shareholders if a single resolution could be negotiated. ShareAction and the board of HSBC agreed to a single resolution, and HSBC will in future put its climate transition plans to a shareholder vote.</p> <p>Premier Foods – M&amp;G sent a letter to the company's Chair to communicate concerns regarding a lack of diversity on the Board of Directors. Following the letter, M&amp;G then had a call with the Chair to discuss the issue further. M&amp;G found that improving diversity was a key priority for the company overall. Succession planning for the Board representatives is underway and M&amp;G expect to see progress on their diversity statistics prior to the 2022 AGM.</p>
BlackRock Dynamic Diversified Growth Fund	<p>Total Engagements: 745*</p> <p>Environmental: 606</p> <p>Social: 266</p> <p>Governance: 509</p> <p>(*Engagements include multiple company meetings during the year with the same company. Most engagement conversations cover multiple topics. As a result, the sum of engagements</p>	<p>BlackRock engage with their companies through their Investment Stewardship team to provide feedback and inform their voting decisions. These engagements largely relate to the Fund's equity positions only, which comprised c.37% of the overall portfolio as at 31 December 2021.</p> <p>Examples of significant engagements include:</p> <p>Chevron Corporation - BlackRock has a long and constructive history of engagement with Chevron. BlackRock has discussed a range of topics, including corporate governance, climate reporting, greenhouse gas (GHG) and methane emissions reductions, human capital management, and risk oversight processes, among other topics. While Chevron has not made the commitments of some of its European peers towards emissions reductions or business model shifts towards lower carbon alternatives, the</p>



	<p>listed under Environmental, Social and Governance will not align with the Total Engagements quoted.)</p>	<p>company has been consistently open to evolving its reporting processes in response to feedback from investors. Chevron now provides reporting aligned with the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).</p> <p>Woodside Petroleum Ltd. – BlackRock regularly monitors Woodside’s governance practices and risk profile as part of its responsibility to shareholders. In recent engagements with the company’s board, BlackRock had extensive discussions on a range of material issues including the company’s approach to the Task Force on Climate-related Financial Disclosures (TCFD), board composition and diversity, broad refreshment and supply chain-related issues.</p>
BlackRock LDI and Gilts	<p>BlackRock currently do not provide details of their engagement activities for these Funds as there are no equity positions held in this portfolio.</p> <p>Isio will work with BlackRock on the development of the firm’s engagement reporting.</p>	<p>BlackRock’s ESG related engagements are led by the BlackRock Investment Stewardship (“BIS”) team. BlackRock have started to engage with derivative counterparties on governance issues and are working on engaging with them on environmental issues.</p> <p>At a firm-level, BlackRock engages with many companies and are continually developing the channels and proactivity in which they inform clients about their engagement and voting policies.</p>
BlackRock Cash Fund		<p>BlackRock currently do not collect engagement data for their ICS Liquidity Fund, which is limited to the extent in which they may assess underlying counterparty exposure.</p> <p>Whilst BlackRock have a clear business level ESG policy, there are currently no formal ESG objectives or engagements targets for the ICS Liquidity Fund itself.</p>
Abrdn LA Equity Nominal Profile Fund	<p>ASI currently do not provide quantitative data for the Fund.</p>	<p>The Fund’s engagement is naturally limited due to the underlying components of the strategy - the LDI exposure is implemented via a combination of gilts (fixed and index-linked) and swaps, and the growth engine is implemented synthetically, and therefore they have no physical ownership and control over underlying companies</p>

Abrdn LA Equity Real Profile Fund		<p>Abrdn's research teams perform ESG analysis on their counterparties at a firm level (including any engagement) as part of the credit review process. This analysis is reviewed by the Credit Committee on a regular basis, and ESG considerations are a key factor in deciding whether to approve a new counterparty or to approve the continued use of an existing counterparty – including ongoing inclusion on the Abrdn derivative panel.</p> <p>At a firm level, Abrdn view ESG considerations as fundamental to how they invest. Abrdn believe that ESG factors are financially material and can have a meaningful impact on an asset's performance. Furthermore, Abrdn are of the view that an asset's ability to sustainably generate returns for investors is dependent on its ability to manage its relationship with the environment, its relationship with society and stakeholders, and the way it is governed.</p>
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#### Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers, the managers provided details on their voting actions including a summary of the activity over the Scheme's reporting year. The managers also provided examples of any significant votes where relevant.

Fund name	Engagement summary	Examples of significant votes	Commentary
BlackRock Dynamic Diversified Growth Fund	<p>Meetings eligible to vote: 965</p> <p>Voteable Proposals: 12,082</p> <p>Proposals Voted: 12,082</p> <p>Votes With Management: 11,325</p> <p>Votes Against Management: 757</p> <p>Abstain Votes: 122</p>	<p>Johnson &amp; Johnson - BlackRock voted against three resolutions, and for two resolutions, in April 2021. BlackRock voted against a report on Government financial support and access to COVID-19 vaccines and therapeutics. BlackRock voted against this shareholder proposal as they believe the company already leads on transparency regarding access to medicine and have confidence the company will continue to provide disclosure on the distribution of vaccines. BlackRock also voted for a civil rights audit report as they believe that an audit would reinforce the effectiveness of the company's current</p>	<p>BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.</p>

		<p>programs to advance racial equity and might yield further insights.</p> <p>BP Plc - In May 2021, BlackRock voted to approve a shareholder resolution on climate change targets. Whilst BlackRock recognise the company's efforts to date and their direction of travel, BlackRock believe supporting the resolution signals their desire to see the company accelerate its efforts on climate risk management.</p> <p>Moody's Corporation - BlackRock voted for a proposal to approve the company's 2020 decarbonisation plan. In line with management, BlackRock voted for this proposal because it meets their expectations that companies have clear policies and action plans to manage climate risk, and provides a roadmap towards the company's stated climate ambitions and targets.</p>	
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