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 Trustees' fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address [SIP-Simpsons-Malt-2022-11-unsigned.pdf (kinsta.cloud)]. Changes to the SIP are detailed on the following page.

The Implementation Report details:

- actions the Scheme have 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 Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate; and
- voting behaviour covering the reporting year up to 31 December 2022 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 Trustees agreed to a number of strategic and manager changes over the year to better align the strategy with the Scheme's agreed long-term objective, and in response to changing market conditions. These changes have been summarised below:

- Restructuring the Scheme's liability hedge: The Trustees reviewed the Scheme's liability hedging portfolio in March 2022 to determine the position of the current liability hedge, and whether the existing target remained appropriate. Given the improvement in the Scheme's funding position since the liability hedge had been implemented, the Trustees agreed to increase the target liability hedge from 60% to 75% in respect of both interest rates and inflation (on a gilts flat basis). The revised solution was implemented in August.
- Subsequently, following significant gilt market volatility in September and October 2022, the Trustees agreed to reduce the target liability hedge to 80% (on the Technical Provisions basis) in respect of both interest rates and inflation. This action was taken to ease liquidity pressures on the Scheme.
- Termination of the equity-linked LDI mandate: The Trustees fully redeemed the Scheme's holdings from the Abrdn Liability Aware Equity funds in October and consolidated the Scheme's liability hedging exposure with BlackRock (the Scheme's existing LDI manager). This decision was due to confirmation from Abrdn that they would be making significant operational changes to the Liability Aware Equity funds in response to the UK gilt market crisis, most notably the reduction in the target leverage on the funds from c.2x to c.1x (i.e. the funds would no longer be levered). The decision to consolidate the hedging exposure with BlackRock was due to the continued availability of leveraged hedging exposure via their LDI funds. This activity was completed in November 2022.

- Replace the Scheme's LDI manager: The Trustees received introductory training from Insight on their credit-enhanced offering and agreed in principle to switch the Scheme's LDI mandate to Insight. Following the events of September and October 2022, and the actions taken by the Scheme's existing LDI manager BlackRock, the Trustees reaffirmed their decision to move the Scheme's LDI mandate away from BlackRock. Following receipt of refreshed due diligence on the LDI managers available to the Scheme, the Trustees are currently considering their preferred route forward. The switch of the Scheme's LDI mandate is expected to take place over 2023.
- Rebalancing of Long Lease Property mandate: As a result of market movements over the year, the Scheme's allocation to Long Lease Property became increasingly strategically overweight. To address this position, and to manage the Scheme's overall liquidity, the Trustees instructed a partial disinvestment (£2.6m) from the LGIM LPI Income Fund. LGIM expect the proceeds to be received in Q3 2023.
- Implementation of Infrastructure Equity mandate: The onboarding of River and Mercantile as the Scheme's new infrastructure equity manager was completed in June 2022. The Infrastructure Income Fund began drawing down the Scheme's commitment in October 2022.
- Interim Asset Allocation: Following the stabilisation of market conditions in Q4 2022, the Trustees reviewed the current positioning of the Scheme's strategy at the Trustee meeting on 16 December 2022. As part of these discussions, the Trustees agreed to adopt an interim asset allocation which was deemed a robust holding position, and suitable starting point for any future strategy discussions.

This report demonstrates that the Simpsons Malt Group Pension Scheme has adhered to its investment principles and its policies 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's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 80% of these risks on the Technical Provisions liability basis.	The Trustees agreed to increase the hedge from 60% to 75% (on a gilts-flat basis) in March 2022. Following unprecedented gilt market volatility in September and October 2022, the Trustees agreed to reduce the liability hedge to target 80% on the Technical Provisions basis. The revised liability hedge target agreed in March 2022 is reflected in the SIP. The subsequent change to the liability hedge target will be reflected in the next SIP update.
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 mandate when required.	Following significant volatility in gilt markets over September and October 2022, the Trustees took action to increase the Scheme's liquidity and manage overall liquidity pressures on the Scheme. This included reducing the liability hedging target over October to preserve capital and ease liquidity concerns. The Trustees also agreed to rebalance the Long Lease Property mandate, by disinvesting £2.6m from the LGIM LPI Income Fund, to increase the overall level of liquid capital available within the strategy. The proceeds from the disinvestment are expected to settle in Q3 2023. These changes will be reflected in the next SIP update.

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 agreed to a number of strategic and manager changes over the year to better align the strategy with the Scheme's agreed long-term objective, and in response to changing market conditions These changes have been outlined in the previous section. Following the stabilisation of market conditions in Q4 2022, the Trustees reviewed the current positioning of the Scheme's strategy at the Trustee meeting on 16 December 2022. As part of these discussions, the Trustees agreed to adopt an interim asset allocation which was deemed a robust holding position, and suitable starting point for any future strategy discussions. These changes will be reflected in the next SIP update.
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. 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.	As part of the interim asset allocation agreed at the Trustee meeting on 16 December 2022, the strategic allocation to diversified credit was reduced and the allocation to semi-liquid credit increased. These changes were driven by market movements over 2022. These changes will be reflected in the next SIP update.
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.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion: 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. Preferably a signatory of the UK Stewardship Code The Trustees monitor the managers on an ongoing basis.	In line with recent regulatory requirements, the Trustees included their voting and engagement policy within the SIP. The Trustees also added their preference for managers to be signatories of the UK Stewardship Code. These changes have been documented within the Scheme's SIP.

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.
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.	No additional action or change over reporting period.

Changes to the SIP

Over the period to 31 December 2022, the Trustee made changes to the SIP to reflect the recent regulatory requirements.

Policies added to the SIP	
Date updated: November 2022	
Voting Policy – How the Trustees expect investment managers to vote on their behalf	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf. • The Trustees will consider setting an expression of wish requesting their managers vote on certain issues in a particular way.
Engagement Policy – How the Trustees will engage with investment managers, direct assets and others about "relevant matters"	• The Trustees, via their investment advisers, will engage with managers about "relevant matters" at least annually. • Example stewardship activities that the Trustees have considered are listed below: o Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities. o Asset manager engagement and monitoring – on a regular basis, the Trustees assess the voting and engagement activity of their asset managers. The result of this analysis is fed into the Trustees' investment decision making. o Collaborative investor initiatives – the Trustees will consider joining/supporting collaborative investor initiatives.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Schemes policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG polices. This page details the Scheme's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

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 Trustees.
Approach / Framework	3. The Trustees 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.
Reporting & Monitoring	6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore the Trustees 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 Trustees will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	9. The Trustees 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.

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-month period to 31 December 2022.

Fund name	Engagement summary	Commentary
Apollo Total Return Credit Fund	Total Engagements: 39 Environmental: 11 Social: 3 Governance: 1 Environmental & Governance: 3 Environmental & Social: 4 Environmental, Social & Governance: 17	Apollo have 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. Examples of significant engagements are: Madison IAQ LLC - Apollo engaged with the company to better understand how its products contribute to a positive environmental impact, as well as how the company ensures the waste it collects is disposed in a safe and environmentally friendly way. The company shared that it provides safe indoor air quality using less energy and increased performance than competitive technologies. It also confirmed that its products adhere to external guidelines for efficiency and comply with various environmental regulations. Garda World Security Corporation – Apollo engaged with the company in December 2022. Apollo discussed the latest views on safety measurements in the middle east and how they handle that situation for their employees. The company shared that they have increased broad compliance training. They also noted that c.70% of their workforce is unionised.
LGIM LPI Income Property Fund	LGIM currently do not provide details of their engagement activities for the LPI Income Property Fund. Isio remains in contact with LGIM surrounding the firm's engagement reporting.	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. LGIM have a targeted tenant engagement programme for all assets. This process is incorporated in their green lease clauses, which they try to place into every new lease. LGIM are enhancing their level of interaction with tenants by engaging with them as far as possible on operational aspects of the buildings. LGIM believe that by fostering closer relationships with tenants, they can influence them to use the buildings in a more efficient and sustainable manner. As part of establishing their net zero strategy and roadmap, LGIM have also been developing an Occupier Engagement Handbook to address how they can more effectively engage with occupiers to reduce energy and emissions (Scope 3) that are not in LGIM's control and are a critical part of their net zero carbon targets.

KKR European Lending Partners	KKR failed to provide data for their engagements over the reporting period. 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.	Although KKR engages with different entities (such as companies, regulators, and government) they do not track engagement on any topic, including ESG related issues. 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. Once invested, KKR will monitor deals on an ongoing basis and track and quantify ESG issues where possible. KKR were unable to provide clear examples of engagements pursued in relation to Environmental, Social or Governance concerns.
M&G Total Return Credit Investment Fund	Total Engagements: 11 Environmental: 4 Social: 6 Governance: 1	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: ArcelorMittal – M&G met with ArcelorMittal to discuss the company's climate disclosures, specifically to encourage them to consider reporting on Scope 3 emissions, to link executive renumeration with climate considerations and to publish a public commitment to align lobbying with climate goals. The company confirmed that renumeration was in the process of being aligned with climate considerations, but the company was less receptive to the Scope 3 request. M&G note that Scope 3 emissions only account for c.10% of total emissions, therefore the focus has been on scope 1 & 2 due to them being more material. The company also confirmed it was aware of the importance of lobbying, having also been encouraged by CA100+, but was unable to confirm whether this request was progressing. M&G will continue to monitor the company's disclosures and continue to engage with them on these topics. Marks and Spencer Plc ('M&S') – M&G engaged with M&S to discuss their human and labour rights issues. M&G reached out to M&S to explore their plans to become Real Living Wage accredited. Following this, M&S confirmed that they have no plans to pursue accreditation as a Living Wage Employer. M&S confirmed that their employees' rates currently exceed the real living wage and that external factors, such as the living wage rate, are considered when setting their hourly rates. In addition, M&S provide employees with an attractive overall reward package, including a generous pension, and discount on M&S products. It was also noted that M&S have one of the lowest turnover rates in the retail sector as a result. M&G were comfortable with the Company's rationale and their efforts to ensure their employees were being fairly paid.

BlackRock Dynamic Diversified Growth Fund	Total Engagements: 652[1] Environmental: 361 Governance: 578 Social: 267	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. 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. Examples of significant engagement: Shell Plc – BlackRock met with Shell to discuss the Company's Energy Transition Strategy and how it plans to manage climate-related risks and opportunities. Shell demonstrated that their strategy is consistent with what BlackRock looks for in companies in which it invests – resilience across a range of climate scenarios. In addition, Shell has updated its emissions reduction targets to reduce scope 1 and 2 emissions by 50% by 2030. BlackRock were comfortable that the Company has a clear plan to manage climate-related risks and opportunities which they believe is progressing well. Meta Platform Inc – BlackRock engaged with the Company, formerly known as Facebook, to discuss the Company's human capital management, business oversight and risk management. BlackRock had concerns over Facebook's targeted advertising policies and practises. They discussed the Company publishing an independent human right's impact assessment to examine these and their ability to manage any potential risks. While they have not committed to publishing a human rights assessment for Facebook, Meta has published an independent human rights assessment on certain business segments. Additionally, they have since joined the United Nations Global Compact which commits to human rights due diligence in line with the United Nations Guiding Principles on Business and Human Rights.
BlackRock LDI and Gilts	BlackRock currently do not provide details of their engagement activities for these funds as there are no equity positions held. Isio will work with BlackRock on the development of the firm's engagement reporting.	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. 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.

BlackRock Cash Fund		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. 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.
River and Mercantile Infrastructure Income Fund	R&M have two investee companies within the Fund (as at 31 December 2022), both of which they have engaged with over the year. However, R&M do not provide granular data on individual engagements. R&M estimate they have engaged with the Fund's investee companies on over 100 occasions since investing in July 2022.	R&M's focus is to engage with investee companies through active (non-executive) participation as board members (typically 1-2 board seats, with monthly engagement) and direct engagement provided through equity ownership and/or lending arrangements (typically weekly or more frequent engagement). R&M have provided significant engagement examples for 1 of their investee companies: Cohiba Communications Limited ('CCL') – R&M have identified a number of ESG risks to engage with the company on post-acquisition. One of the areas R&M have worked with the company on over the year has been in relation to political donations. One of the company's subsidiaries had made regular political donations in the past, R&M have worked with the company to set out the parameters in which future donations can be made. R&M will monitor political donations over time to ensure that they remain in line with the primary objective which is to support the levelling-up of the North of England through supporting relevant organisations.

Notes: [1] For some managers, total engagements do not sum up, as a number of engagements are related to a combination of E,S and G issues.

Voting (for equity/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 fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2022.

The Trustees have adopted the managers definition of significant votes and have not set stewardship priorities. The managers have provided examples of votes they deem to be significant.

Fund name	Engagement summary	Examples of significant votes	Commentary
BlackRock Dynamic Diversified Growth Fund	Meetings eligible to vote for: 898 Resolutions eligible to vote for: 11,899 Resolutions voted on: 94.4% Resolutions voted with management: 94.3% Resolutions voted against management: 5.7% Resolutions abstained from: 1.7%	Berkshire Hathaway Inc. – Date: 30/04/2022 The Trustees consider this vote to be significant as it aligns with BlackRock's Investment Stewardship Engagement Priority of Climate and Natural Capital. BlackRock voted in favour of the production of a Report on Climate-Related Risks and Opportunities. BlackRock's rationale for voting in this manner was due to Berkshire Hathaway's current disclosures not meeting their expectations of how a business model can be compatible with a low-carbon economy. Charter Communications Inc. – Date: 26/04/2022 The Trustees consider this vote to be significant as it works towards BlackRock's Investment Stewardship Engagement Priority of board quality and effectiveness. BlackRock voted in favour of a resolution proposing a Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics by the Company. BlackRock acknowledged Charter Communications' efforts on this topic but they viewed this as an opportunity for the Company to accelerate their existing progress on social issues.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. 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.