

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 2020 (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

There were no changes to the Scheme's investment strategy over the year to 31 December 2020. However, the Trustees made several key strategic decisions over this period:

- The Trustees agreed to extend their commitment period to the Legal and General Investment Management ("LGIM") LPI Fund by a further 6 months in July 2020 due to the contract terminating on 30 July 2020 (commitment of a further 10% of Scheme assets). This commitment has since been left to expire in January 2021 to allow full discussion and consideration for other investment opportunities as part of the upcoming strategy review (see below). The capital that was originally earmarked for this allocation remains in the Ninety One DGF.
- The Trustees undertook a detailed journey planning exercise in September 2020 whereby they, in conjunction with the Company, agreed key risk and return parameters for the investment strategy, and agreed their long-term objectives.
- Following this exercise, the Trustees agreed to undertake a formal investment strategy review which also looked to assess whether the current investment strategy remained suitably aligned with the newly agreed long-term objectives. Due to timeframes, this exercise was completed post-accounting year-end (February 2021).

Implementation Statement

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.

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. | No additional action or change over reporting period. |
| 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 embers benefits as they fall due (including transfer values), and to provide collateral to the LDI/synthetic equity mandates when required. | The Trustees carried out a review of the Scheme's existing cashflow policy in November 2020, evaluating the Scheme's current cashflow position and the options available for managing future liquidity requirements. A liquidity waterfall structure was agreed and set out within the cashflow policy document. As there is no change to the Scheme's strategic positioning, this is not reflected within the SIP. |
| 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 undertook a detailed journey planning session in September whereby they, in conjunction with the Company, agreed key risk and return parameters for investment strategy. Following this exercise, the Trustees agreed to undertake a formal |

| Risk/Policy | Definition | Policy | Actions over reporting period |
|--|---|--|---|
| | | | <p>investment strategy review in February 2021.</p> <p>Any changes to the Scheme's investment strategy resulting from this review will be documented within the SIP accordingly.</p> |
| 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> | No additional action or change over reporting period. |
| Environmental, Social and Governance (ESG) | Exposure to 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"> 1. Responsible investment 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 <p>The Trustees monitor the managers on an ongoing basis.</p> | <p>The Trustees acknowledged ESG requirements via their ESG policy, which was included in the SIP update in September 2019.</p> <p>The Trustees signalled their intention to increase the Scheme's ESG credentials as part of the formal review of the Scheme's investment strategy.</p> <p>Any changes to the Scheme's investment strategy resulting from this review will be documented within the SIP accordingly.</p> |
| 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. |

Changes to the SIP

| |
|---|
| Policies added to the SIP over reporting period |
| Date updated: September 2019 |
| <ul style="list-style-type: none"> • No new policies were added to the SIP over the reporting period. • As part of the latest SIP update (September 2019), the Trustees included details on how they recognise Social, Environmental and Governance issues as a financially material risk, and how these concerns are integrated within the existing decision-making process, alongside details of the Scheme's Investment Management Arrangement Policies. • These changes were in anticipation of the new regulatory requirements which came into place from 1 October 2020. As such, no further updates to the existing policies were required. |

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"> • Through the manager selection process, ESG considerations will form part of the evaluation criteria. • The Scheme's investment advisor, Isio, will monitor managers' ESG policies on an ongoing basis. • 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. • The Trustees review the Scheme's investment managers' ESG policies at least on an annual basis to ensure | <ul style="list-style-type: none"> • The investment manager has not acted in accordance with their policies and frameworks. • The investment managers' ability to abide by the Trustees' ESG policies ceases due to a change in the manager's ESG policies. |

| | | |
|--|---|--|
| | they continue to operate in line with their ESG policies. | |
|--|---|--|

Areas of assessment and ESG beliefs

| | |
|------------------------|--|
| Risk management | <p>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.</p> <p>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).</p> |
| Approach / Framework | <p>3. The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities.</p> <p>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.</p> <p>5. The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.</p> |
| Voting & engagement | <p>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.</p> <p>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.</p> <p>8. The Trustees want to understand the impact of voting & engagement activity within their investment mandates.</p> |
| Reporting & monitoring | <p>9. ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge.</p> <p>10. The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.</p> |
| Collaboration | <p>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.</p> <p>12. The Trustees should seek to sign up to a recognised ESG framework to collaborate with other investors on key issues.</p> |

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.

To date, the Trustees' review of the Scheme's investment managers has been a high-level overview, as part of a wider ESG training session, carried out in September 2019.

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 |
|------------------------------------|---|--|
| Ninety One Diversified Growth Fund | Total engagements: 15 Government: 1 Corporate: 13 Industry bodies: 1 | <p>Ninety One's engagement activity is consistent with their ESG policies. They have a systematic approach around engagements in which objectives are outlined in advance and tangibly measured based on the outcomes.</p> <p>Ninety One report on how their engagement policy is implemented and the outcomes of their engagements in their Annual Stewardship Report.</p> <p>Ninety One assess the success of their engagements by measuring them against the original target objective.</p> <p>Examples of significant engagements include:</p> <p>Moncier- Over 2020 Ninety One engaged with the company to remove a proposal for the CEO to obtain increased voting rights without supplying additional capital, due to concerns over the potentially material impact which the change could have on minority shareholders. Due to the COVID-19 pandemic, the March 2020 meeting (where the proposed amendment was due to be discussed) was cancelled. Given the proposed amendment did not feature in the following June meeting agenda, Ninety One suggest that collective shareholder resistance to this proposed amendment has been effective so far. Ninety One continue to monitor for future proposed amendments or a resurfacing of the original proposal from the board.</p> |
| LGIM LPI Income Property Fund | LGIM currently do not provide details of their engagement activities at a Fund level, however, this is something they are | 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 |

| Fund name | Engagement summary | Commentary |
|---|--|---|
| | <p>looking to implement going forwards. Isio remains in contact with LGIM surrounding the firm's engagement reporting.</p> | <p>They maintain dialogue with all occupiers, and as part of this, positive ESG-related behaviours are encouraged.</p> |
| <p>KKR European Lending Partners</p> | <p>Total engagements: 4(KKR were able to actively engage with these businesses due to their position as owners, rather than credit investors). These 4 positions account for 25% of deals with the portfolio (15% of overall assets). Despite this, KKR failed to provide substantial data on their engagements.</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. 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.</p> |
| <p>BlackRock FIGO</p> | <p>BlackRock currently do not provide details of their engagement activities for these Funds as there are no equity positions held within the portfolio. Isio continue to 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. However, the Global Fixed Income Responsible Investing team partner with the firm level stewardship team to engage with companies when a holding is flagged due to ESG concerns.</p> |
| <p>BlackRock LDI and Gilts</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. 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> |
| <p>BlackRock Cash Fund</p> | | <p>BlackRock currently do not collect engagement data for their Cash 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 engagement targets for the Cash Fund itself.</p> |
| <p>ASI LA Equity Nominal Profile Fund</p> | <p>ASI currently do not provide quantitative data</p> | <p>The Fund's engagement is naturally limited due to the underlying components of the</p> |

| Fund name | Engagement summary | Commentary |
|---------------------------------|--------------------|--|
| | for the Fund. | <p>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> <p>ASI's research teams perform ESG analysis on their counterparties at a firm level (including any engagement) as part of the credit review process.</p> <p>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 ASI derivative panel.</p> <p>At a firm level, ASI view ESG considerations as fundamental to how they invest. ASI believe that ESG factors are financially material and can have a meaningful impact on an asset's performance.</p> <p>Furthermore, ASI 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> |
| ASI LA Equity Real Profile Fund | | |

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 |
|------------------------------------|--|---|--|
| Ninety One Diversified Growth Fund | <p>Meetings eligible to vote for: 150</p> <p>Resolutions eligible to vote on: 1,794</p> <p>Resolutions voted on: 90.8%</p> <p>Where voted:</p> <p>Resolutions voted with management: 93.5%</p> | <p>The Walt Disney Company -</p> <p>In March 2020 Ninety One voted for, and with management on, a proposal for additional disclosure of the company's indirect lobbying -related oversight mechanisms, along with its trade association payments.</p> | <p>Ninety One use an external proxy research and vote execution service provided by Institutional Shareholder Services (ISS). The service provided by ISS covers their own</p> |

| Fund name | Engagement summary | Examples of significant votes | Commentary |
|-----------|--|--|---|
| | Resolutions voted against management: 6.5% | <p>Ninety One were of the view that this increased disclosure would help shareholders better assess the risks and benefits with the company's participation in the public policy process. The vote was ultimately not passed by shareholders.</p> <p>Unilever Pie- In October 2020 Ninety One voted for, and with management, to approve the Cross-Border Merger between Unilever PLC and Unilever N.V. The proposal to unify the Company's structure through a cross-border merger into Unilever pie had a strong strategic rationale (e.g. simplifying Unilever's complex dual-headed structure, increased optionality in terms of M&A and other business transactions). The Group's listings on the Amsterdam, London and New York stock exchanges would be maintained, and the Company had stated there will be no change to the operations, locations, activities or staffing levels. The vote was passed by the Shareholders.</p> <p>Johnson & Johnson -- In April 2020, Ninety One voted for, and with management on, disclosing more specific information about the proactive steps the board is taking to mitigate risks related to the manufacturing and marketing of opioid-related products, and to demonstrate that company</p> | benchmark research and Ninety One's custom policy research. This research is taken into consideration and discussed internally to make decisions which Ninety One believe to be in the best interest of the shareholders (which may differ from ISS recommendations). |

| Fund name | Engagement summary | Examples of significant votes | Commentary |
|-----------|--------------------|--|------------|
| | | <p>incentives are aligned with the health of the communities it serves.</p> <p>This vote was passed by Shareholders.</p> | |