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 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 https://simpsonsmalt.kinsta.cloud/wp-content/uploads/2023/11/SIPSimpsonsMalt2023.pdf, changes to the SIP are detailed on the following page.

The Implementation Report details:

- actions the Scheme has 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 2023 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:

- **LDI manager selection and implementation:** The Trustees previously agreed to switch the Scheme's LDI manager from BlackRock to Insight. Following receipt of refreshed due diligence on the LDI managers available to the Scheme in April 2023, the Trustees reaffirmed their decision to proceed with switching the Scheme's LDI mandate from BlackRock to Insight via their Credit-Enhanced offering. The switch of the Scheme's LDI mandate was completed post-reporting year.
- **Restructuring the Scheme's liability hedge**: The Trustees reviewed the Scheme's liability hedging portfolio as part of the switch from BlackRock to Insight. Given the improvement in the Scheme's liquidity profile, and funding position, and the enhanced capital efficiency offered by Insight, the Trustees agreed to increase the

target liability hedge from 80% to 85% in respect of both interest rates and inflation (on the Technical Provision basis). The revised solution was implemented post-reporting year.

- **Diversified Growth Fund manager selection and implementation:** As part of the decision to switch the LDI mandate away from BlackRock, the Trustees agreed to also move all remaining assets with BlackRock to an alternative provider. The Trustees agreed to switch the Scheme's Diversified Growth mandate, invested in the BlackRock Dynamic Diversified Growth Fund to the LGIM Diversified Fund. The switch from BlackRock to LGIM was completed post-reporting year.
- **Asset-Backed Securities ("ABS") manager selection and implementation:** Following the switch of the LDI mandate to Insight, the Trustees agreed to allocate to an ABS fund with Insight, to rebuild the Scheme's collateral waterfall. This mandate is to be held alongside the LDI portfolio as the Scheme's primary source of collateral. The Trustees are due to select the preferred ABS fund over Q2 2024 and will fund the allocation using the funds held in cash with Insight.
- **Reinvestment of the Long Lease Property proceeds:** The Trustees received £2.6m in proceeds from the LGIM LPI Income Fund in June 2023, following the submission of a partial redemption instruction in November 2022. This activity was undertaken to rebalance the Scheme's exposure to Long Lease Property and enhance the liquidity profile of the Scheme. The Trustees re-allocated the proceeds across the Scheme's liquid growth assets, including the BlackRock Cash Fund, BlackRock Dynamic Diversified Growth Fund and M&G Total Return Credit Investment Fund. A portion of the proceeds were also used to fund a capital call from the River & Mercantile Infrastructure Equity mandate.
- **Rebalancing of the Semi-Liquid Credit mandate:** The Trustees agreed to partially redeem £660k from the Apollo Semi-Liquid Credit mandate. This activity was instructed in October 2023. The proceeds were received post-reporting year. The rationale for the partial redemption was to improve the Scheme's liquidity and to reduce Apollo's strategically overweight position. The Trustees will consider options for redeploying these funds over Q2 2024.
- **Sale of Infrastructure Equity manager:** In early October 2023, River & Mercantile Group ("RMG") (the parent company of River and Mercantile Infrastructure ("RMI")) announced that it had agreed to sell its stake in RMI to its Managing Partner, Ian Berry, alongside its two other existing partners due to cost pressures and capital raising challenges post the 2022 gilts crisis. This development raised concerns over the long-term viability of the Fund. Following a formal process to identify a suitable infrastructure manager to replace RMI as the investment manager of the Infrastructure Income Fund, it was agreed that Fiera would be appointed. This decision was agreed post reporting period in Q2 2024. The formal documentation required to implement this change is currently in the process of being agreed. This manager change will be reflected in the next SIP and Investment Implementation Document ("IID") update.

Implementation Statement

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 85% of these risks on the Technical Provisions liability basis.	No action was taken in relation to the Scheme's liability hedge over the reporting period. Post-reporting period, as part of the switch of the Scheme's LDI mandate from BlackRock to Insight, the Trustees agreed to increase the liability hedge target to 85% to align it with the Scheme's Technical Provisions funding position. **The revised 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.	The Trustees agreed to restructure the investment strategy over the reporting year to improve overall liquidity. Following receipt of the proceeds from the partial redemption from the LGIM LPI Income Fund, the Trustees agreed to reallocate the proceeds across the Scheme's liquid growth assets. The Trustees also instructed a partial redemption (£660k) from the Apollo Semi-

			Liquid Credit mandate to further enhance Scheme liquidity (the proceeds from this partial redemption were received post-reporting year-end). The Trustees included a formal collateral management policy within the SIP to document their approach to funding collateral calls from the LDI manager. **The formal collateral management policy is included in the October 2023 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 agreed to some 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. **These changes have been reflected in the October 2023 SIP.**
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	No additional action or change over reporting period.

		yield available sufficiently compensates the Scheme for the risk of default.	
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.	No additional action or change over reporting period.
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

Policies added to the SIP (Date updated: October 2023)

Over the period to 31 December 2023, the Trustees made the following changes to the SIP:

Appendix C – Collateral Management Policy

The Trustees are targeting a level of collateral within the Scheme's automated collateral waterfall with BlackRock (the Scheme's LDI manager) equivalent to at least 30% of the Scheme's LDI funds. This is estimated to be sufficient to cover at least 3 collateral calls.

The Trustees will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

The Trustees also have a framework for topping up the collateral.

Trigger	Action	Responsibility
Pooled LDI manager issues a capital call	Assets sold from nominated source of collateral	BlackRock
When collateral falls below 30% of the value of the LDI portfolio	Discussion on rebalancing nominated source of collateral to restore buffer to at least 30% of the value of the LDI portfolio.	Trustee

The latest collateral waterfall is shown below. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustees.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	**Cash**	**Daily**	**T**	**T + 1**
LDI manager	**Diversified Growth**	**Daily**	**T**	**T + 3**
Non-LDI manager	Diversified Credit	Daily	T	T + 2

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 2023.

Fund name	Engagement summary	Commentary
Apollo Total Return Credit Fund	Total Engagements: 42[1] Environmental: 39 Social: 26 Governance: 23 Other: 21	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 of 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: **Adani Ports and Special Economic Zone Limited -** Apollo engaged with the Company on their thermal coal exposure and emissions reduction strategy in December 2023. The Company stated that thermal coal comprises less than 25% of their cargo mix and an additional 8-10% of the mix is from coking coal. This has reduced from 100% originally. The Company expect that green hydrogen and green ammonia will emerge as viable fuel alternatives in the next 5-6 years. As a result, they expect a gradual reduction in thermal coal as a % of their cargo mix over this time period, after which they expect a sharp fall. Adani Ports is targeting carbon neutrality by 2025 and net zero by 2040. The Company is also working on electrifying the cargo handling process, electrifying the entire network within the ports. **Olympus Water US Holding Corporation –** Apollo engaged with the Company in May 2023 to better understand its revenue mix from sustainable activities. The Company shared that 86% of their innovation

		programs have a sustainability/circularity focus, 83% of Olympus' revenue supports customers' sustainability goals, and over 25% of Diversey's (the institutional and food/beverage segment) revenue is expected from products that contribute to the Net Positive Ratio (i.e., profitability). They also shared links to their sustainability report and website for additional information.
LGIM LPI Income Property Fund	LGIM currently do not provide quantifiable data for 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. Occupier engagement is especially key to the Fund's sustainability objectives. They engage with occupiers on all matters relating to ESG and one of their key objectives for 2023 was to formulate a list of ESG commitments and targets per occupier. This process of data collection started in 2022 and will continue to be focused on their commitments to achieving net zero and any science-based targets, as well as other key sustainability measures.

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 examples of significant engagements in relation to Environmental, Social or Governance concerns.
M&G Total Return Credit Investment Fund	Total Engagements: 8 Environmental: 5 Social: 1 Governance: 2	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: **Brambles Finance PLC** – M&G met with the Company to discuss Governance, in particular the link between executive remuneration KPIs and sustainability targets. The Company were receptive of M&G's requests and confirmed that objectives are currently tailored to individual roles but, they will work to improve these on a role-by-role basis. M&G were satisfied with this response and will follow up with a report on their expectations to the remuneration committee, depending on the role-by-role objectives provided by the Company. M&G additionally raised concerns over the Company's

		decarbonisation strategy and encouraged them to make a commitment to net zero. M&G plan to follow these points up on a call with the Head of Sustainability at the Company. **IPD 3 BV**– M&G engaged with the Company to discuss social inequality. M&G requested that the Company improves their compliance with the Scottish Housing Quality Standard ("SHQS"). The proportion of the Company's housing stock rated 'Compliant' with SHQS has dropped significantly from 96% to 41% over the year. The remediation plan to improve the Company's poor level of compliance was discussed with M&G, with the Company confirming it was allocating additional resources to complete electrical checks. Management emphasised their view that the quality of properties had not deteriorated in the past year, but the issue was a lack of formal certification. M&G reiterated they were very focused on seeing an improvement in the level of compliance and requested that at least 90% of housing stock is rated SHQS 'Compliant' by 31 March 2024, with an interim target that 50% of housing stock is rated SHQS 'Compliant' by 31 March 2023. Management agreed with these targets.
BlackRock Dynamic Diversified Growth Fund	Total Engagements: 326[1] Environmental: 108 Governance: 299 Social: 108	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. **Broadcom, Inc –** BlackRock had a call with the semiconductor and infrastructure software provider on the topic of corporate governance, in particular, how incentives align with financial value creation. During the engagement, BlackRock discussed with the Company a one-off grant which was awarded to the CEO, the broader-based stock incentive plan and the Board's approach to succession planning. BlackRock use these engagements to inform their votes decisions on key resolutions, outlined within the voting section below.
BlackRock LDI and Gilts	BlackRock currently do not provide details of their engagement activities for these Funds as there are no equity positions held in this portfolio. Isio remains in contact with BlackRock surrounding 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 firm-level, BlackRock engages with many companies and informs clients about its engagement and voting policies via various forms of communication.
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 2023), 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 throughout 2023.	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 engaged with the Company multiple times over the year. In one example. R&M engaged with the Company on a number of internal policies that they believe can be improved and / or put in place to have a robust set of controls. R&M was concerned with the quality of financial (and other) reporting - both to the board and to investors. This matter was raised with the board on several occasions. R&M continue to engage with the Company to enhance the quality of internal and external reporting.

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 2023.

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 at: 575 Resolutions eligible to vote for: 7,326 Resolutions voted on: 93.3% Resolutions voted with management: 88.5% Resolutions voted against management: 4.9% Resolutions abstained from: 1.4%	**Siemens AG** **Date:** 09/02/2023 The manager has not provided the weight of the security relative to the overall portfolio. The Trustee considers this to be a significant vote as it demonstrates BlackRock's commitment to holding companies accountable for ineffective governance. Following the German government passing a new law that permits virtual-only annual general meetings (AGM), subject to shareholder approval. This authority, once granted, must be re-approved by shareholders at least every five years. BlackRock voted in favour of virtual-only AGMs as BIS believed the proposal was aligned with regulatory requirements and that the company was taking necessary steps to respect shareholder	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.

		rights. Siemens identified many benefits to holding a virtual AGM, including cost and resource efficiency, and the potential to reach a greater number of participants. This resolution passed the vote. BlackRock will continue to monitor the Company's developments and raise their concerns during engagements or voting. **Broadcom Inc. –** **Date**: 03/04/2023 The manager has not provided the weight of the security relative to the overall portfolio. The Trustees consider this to be a significant vote as it evidences BlackRock's ongoing commitment to ineffective governance. BlackRock voted against the appointment of new Compensation Committee members as they did not believe it aligned with the interest of the long-term shareholders. In particular, BlackRock were concerned about the disproportionate focus on short term goals and lack of alignment between compensation and performance or peers. This resolution passed	

		the vote. BlackRock will continue to monitor the Company's developments in relation to compensation and raise their concerns during engagements or voting.	