

Sims Group UK Combined Pension Scheme

Implementation Statement for the year ended 05/04/2023

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee of the Sims Group UK Combined Pension Scheme (“the Scheme”) has followed its policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 5 April 2023 (“the reporting year”). In addition, the Statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

The Trustee’s policy

The Trustee believes that there can be financially material risks relating to ESG issues. As the Scheme invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. Therefore, the Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s investment managers. The Trustee requires the Scheme’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and climate change risk in relation to those investments.

Statement of Investment Principles (“SIP”)

The Scheme’s SIP was reviewed and amended in September 2020. This review was initiated by the Trustee aiming to outline its policy in relation to environmental, social and governance (“ESG”) and voting practices in compliance with regulations that took effect from 1 October 2020. The Trustee’s policy had previously been a broad reflection of the investment managers’ own equivalent policies up until the amendments were made in September 2020.

There were no changes to the Scheme’s SIP during the reporting period. Therefore, the SIP dated September 2020 was relevant throughout the reporting period.

The SIP is due to be updated during the 2023-2034 reporting period, to reflect the Trustee’s agreed changes to the investment strategy. During the reporting year, the Trustee was satisfied that it followed its policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Manager selection exercises

One of the main ways in which this policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustee, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement. Further, the Trustee has set XPS the objective of ensuring that any selected managers reflect the Trustee's views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustee believes that its approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustee has not to date introduced specific stewardship priorities, it will monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers (where voting rights are applicable to the Scheme's investments).

Voting activity

The main asset class where the investment managers will hold voting rights on behalf of the Scheme is equities, as it represents the equity ownership and shareholder's stake within the underlying business. Investments in public equities did not form part of the strategy throughout the reporting period.

There are no voting rights reported for credit-based assets or funds that invest into them. Therefore, no such reporting is applicable for the Scheme's credit-based investments in the BlackRock Buy & Maintain ESG Vintage Fund, BlackRock Strategic Alternative Income Fund or BlackRock LDI portfolio.

ESG and Sustainability considerations

Whilst the Trustee has not defined explicit stewardship priorities, the funds in which the Scheme invests do consider ESG and/or sustainability themes.

XPS assess the Scheme's investments using various criteria. In acknowledgement of the Trustee's policy, one of these criteria is ESG and sustainability considerations, where XPS will only recommend funds that at least meet a minimum level of ESG integration. As such, all of the funds in which the Scheme invested during the reporting year were expected to meet this minimum level of ESG integration (in line with the Trustee's policy).

In addition, the BlackRock Buy & Maintain ESG Vintage Pooled Fund range and BlackRock Liquid Environmentally Aware Fund ("LEAF") do have an ESG and climate change focus whereby BlackRock employ negative screening. When selecting the fund's investments, BlackRock aim to exclude issuers that do not meet the pre-defined ESG criteria. This includes controversial weapons, fossil fuels, Thermal coal/Nuclear energy, civilian firearms, Tar/Oil sands, Tobacco, no involvement in violations of the UN Global Compact, and to not have below average environmental practices.

Furthermore, the BlackRock Buy & Maintain ESG Vintage Pooled Fund also employs positive screening, where BlackRock will tilt the portfolio to include issuers within the top quartile of ESG scores based upon the MSCI Index. They will also tilt towards issuers that have science-based targets, such as companies that have set greenhouse emission reduction targets. This is expected to then tilt the portfolio towards those issuers that are expected to experience the most meaningful carbon reduction over time, or most likely to achieve a positive net zero transition.

Adopted on behalf of Sims group UK pension trustees limited (the Trustee)