

Scottish Sea Farms Defined Benefit Pension Scheme – Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 2024.

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the Statutory and Non-Statutory Guidance published by the DWP.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set for the Scheme. As set out in the SIP, these are as follows:

- To make sure that the Scheme will be able to meet its benefit obligations as they fall due;
- To, over time, move the Scheme to a fully funded self-sufficiency position, so that at some future point in time there will be a low level of dependency on the Company's financial support to meet the Scheme's obligations; and,
- To invest the assets in a manner that has similar characteristics to the liabilities so as to minimise fluctuations in the Scheme's funding level (subject to the requirement to generate excess returns relative to the liabilities to attain a fully funded self-sufficiency level).

Review of the SIP

The Trustees reviewed the Scheme's investment strategy in March 2024 and agreed to revise the Scheme's allocations across the pooled gilt funds and, as such, the Scheme's SIP was updated accordingly.

In particular, the Trustees reviewed and amended the Scheme's SIP in June 2024, in order to reflect that the Scheme no longer invests in leveraged gilt funds with the Scheme's investment manager, Legal & General Investment Management ("Legal & General"). The SIP was last formally reviewed at the Trustees' meeting in June 2024 and no further changes have been made to the Scheme's SIP during 2024.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. The assets of the Scheme are managed entirely in bonds (including corporate bonds, fixed interest gilts and index-linked gilts) and cash, all accessed via pooled fund arrangements.

During part of the period under review (to the end of March 2024), some of the pooled funds that the Scheme invested in provided leveraged gilt exposure, in order to help achieve the desired level of interest rate and inflation hedging. As noted in the 'Review of the SIP' section, with effect from the beginning of April 2024, the Trustees changed the mix of the Scheme's allocation to gilt funds, as the use of leveraged gilt funds was no longer required to achieve the target interest rate and inflation hedge ratios.

The Trustees accept that they cannot directly influence how social, ethical and environmental considerations affect the selection of securities within the corporate bond pooled fund, however the Trustees have given Legal & General full discretion in evaluating ESG factors, including climate change considerations, when managing the corporate bond fund.

Furthermore, as the assets held by the Scheme have no voting rights attached, the Trustees note that corporate governance voting issues are not relevant to the Scheme.

Engagement

The Scheme's investment manager, Legal & General, has confirmed that they are signatories of the current UK Stewardship Code. The Scheme's investment performance is reviewed by the Trustees at each Trustees' meeting.

The investment manager's reporting, which is received quarterly and reviewed at Trustees' meetings, provides an overview of activity carried out by Legal & General with regards to corporate governance and ESG. The Trustees continue to monitor the manager and take into consideration the type of mandate, recognising that it can be more difficult to integrate ESG in the asset classes in which the Scheme invests (e.g. LDI and corporate bonds), compared to equities for instance. The investment performance report includes detail on how the investment manager is delivering against their specific mandates and the Trustees receive a presentation from Legal & General from time to time (the most recent presentation was at the Trustees' meeting in June 2023).

Voting Activity

There was no voting activity in relation to the assets managed by Legal & General during the year under review.

For and on behalf of the Trustees of the Scottish Sea Farms Defined Benefit Pension Scheme

April 2025