

The Scotts (UK) Company Pension Scheme

**Annual Implementation
Statement – Scheme year
ending 30 June 2025**

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1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of The Scotts (UK) Company Pension Scheme (“the Scheme”) covering the scheme year (“the year”) to 30 June 2025.

The purpose of this statement is to:

- Detail any reviews of the SIP that the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review.
- Set out the extent to which, in the opinion of the Trustee, the Scheme’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995 has been followed during the scheme year, including policies on engagement and voting.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact. The Trustee confirms that the investments which the Scheme holds were chosen in line with the requirements of s36 of the Pensions Act 1995.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement has been made available on the following website:
<https://www2.myworkpension.co.uk/SchemeNoticesSCOT>

2. Review of and changes to the SIP

The SIP was last reviewed in 2023, with no updates made during the year.

The SIP that was in place during the Scheme year, and therefore which is relevant to this statement, is dated September 2023.

3. Adherence to the SIP

SIP Section 1: Introduction

Paragraphs 1.1-1.5: These paragraphs provide relevant introductory and background comments rather than setting out any policies.

SIP Section 2: Division of responsibilities

Paragraphs 2.1-2.7: This section sets out the responsibilities of the Trustee, Fiduciary Manager, Investment Managers/Providers, Custodian(s), Investment Consultant and Scheme Actuary. All responsibilities have been adhered to over the Scheme year.

SIP Section 3: Defined Benefit section

Paragraph 3.1: This paragraph is a statement of fact, setting out the Trustee’s investment objectives which are ultimately focussed on ensuring that the Scheme has sufficient assets to pay benefits to its beneficiaries as and when they fall due.

Paragraph 3.2: This paragraph sets out the Trustee’s policy in relation to investment strategy. The Trustee retained responsibility for setting the investment strategy, with the responsibility for its execution delegated to the Fiduciary Manager. A full buy-in of the Scheme’s liabilities was

implemented over December 2022. At the Scheme year end, the Trustee holds its remaining uninsured assets in a secure sterling liquidity fund.

Paragraph 3.3: This paragraph sets out the Trustee's expectations for the Fiduciary Manager with regards to the selection and monitoring of investment managers in the portfolio. These policies were adhered to over the year.

Paragraph 3.4: Consistent with the Trustee's view that ESG factors can have a potential impact on investment returns, particularly over the long-term, the Trustee believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.

The Trustee expects the investment manager to address broad ESG considerations. The Trustee's process for selecting and monitoring the Fiduciary Manager includes consideration of the Fiduciary Manager's approach to SI. They expect the Fiduciary Manager to reflect these policies when selecting and monitoring underlying investment managers for the Scheme (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Given the short-term nature of the investments held in the DB portfolio, the inclusion of ESG factors and management of these risks by the Scheme's Fiduciary Manager has not been a material focus for the Trustee this year. During the year the Defined Benefit section of the Scheme had no exposure to assets with voting rights.

Given that the Scheme's DB portfolio no longer invests in any assets with accompanying voting rights, and that the short-term nature of the expected future relationship with the underlying investment managers, the Trustee have limited scope for undertaking engagement with their portfolio companies. The nature of the investment of the assets that sit outside of the buy-in means that turnover is expected to be very low. The Fiduciary Manager is expected to consider the fee structures of the underlying managers in the portfolio. Costs and charges reporting is provided to the Trustee from the Fiduciary Manager on an annual basis.

SIP Section 4: Defined Contribution section

Paragraphs 4.1 – 4.5: The Trustee's key objective for the DC Section, as described in the SIP is 'to provide a suitable investment framework to allow members to save for retirement'. This continues to be the case for those remaining DC Section members who have hybrid benefits following the bulk transfer of DC only members to the Aviva master trust arrangement in December 2024.

The Trustee offers a core range of (primarily passively managed funds), a bespoke lifestyle strategy and access to BlackRock's LifePath Funds in line with its principles set out in paragraphs 4.2 – 4.3

The Trustee meets these objectives and principles by regularly reviewing the investment strategy - the last review was undertaken in December 2022. The review considers such matters as: the demographic profile of the membership, the likely income choices members will make at retirement, developments in the money purchase/defined contribution market and legislative changes. The analysis found that the lifestyle investment strategy and the self-select fund range were still appropriate for the membership, so no changes were made to the investment options. The next investment review is expected to be finalised by December 2025.

Paragraph 4.3: The investment of the DC Section has been delegated by the Trustee to Aegon (via its investment platform). The assets are invested in a range of pooled investment funds with Aegon whose underlying investment manager is BlackRock. This significantly simplifies the operational investment aspects of the Scheme for the Trustee but means that the Trustee does not have the ability to engage directly with BlackRock. Similarly, as the Trustee does not invest directly with BlackRock, the investment managers do not have visibility of the Trustee's holdings as the DC Section's investments are made via Aegon's pooled investment funds.

Aegon provides quarterly investment performance reporting, which the Trustee and its adviser reviews at each Trustee meeting. All of the passively managed funds have performed within an acceptable tolerance of their respective indexes.

In addition, the DC investment advisor will update the Trustee in between these meetings if a particular issue arises with Aegon or one of the funds made available within the DC Section.

Paragraph 4.4: The Trustee has set out the key stewardship priorities that the investment manager, BlackRock, will be monitored against. The stewardship priorities, as set out in the SIP, have been considered when reviewing BlackRock's voting record during the reporting period.

Paragraph 4.5: A legacy AVC arrangement with Prudential exists with a small number of members invested in the Prudential With-profits fund and the Prudential Discretionary Fund.

SIP Appendix: Policy towards risk

1. Defined Benefit section

Since the completion of the full Scheme buy-in, this level of monitoring has not been necessary, and the Trustee, working with the Fiduciary manager, has established a more appropriate monitoring framework for the assets that sit outside the buy-in, specifically the remaining assets held in cash-equivalent assets. The Fiduciary Manager monitors and manages the day-to-day investment risk of the portfolio. The Trustee is responsible for the oversight of the Fiduciary Manager.

2. Defined Contribution section

The Trustee has considered and identified key DC-specific risks members are exposed to in the SIP (and how the Trustee endeavours to mitigate these risks). The Trustee does not consider risk in isolation, but in conjunction with expected investment returns and outcomes for members. The impact of these risks is considered as part of the quarterly monitoring of investment performance and in detail as part of the triennial investment review.

The Trustee recognises that investment risks will apply differently to different cohorts of the membership, and that a mismatch between investment selection and how members intend to use their account at retirement can impact outcomes. Members are encouraged to review their selected investment option to ensure it aligns with their retirement plans and their Target Retirement Date. To support this the Trustee offers a range of funds, a bespoke lifestyle strategy (targeting annuity purchase) and access to the Aegon BlackRock LifePath funds. The investment guide explains to members the balance between risk and reward and the types of risk they should consider when selecting their investment options.

4. Company level engagement and rights attached to investment (including voting)

The Scheme's equity holdings (in the DC Section) are held within pooled investment vehicles and are managed on a passive basis relative to a defined index. The Trustee delegates voting rights and the execution of those rights to the underlying managers for the securities they hold.

The Trustee has identified key ESG risks for the Scheme as climate change, human and labour rights and company remuneration policies. The votes significant votes included below are reflective of these priorities.

The Trustee's policy is that day-to-day decisions relating to the investment of the DC Section assets is left to the discretion of their investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant.

A summary of the voting activities undertaken on behalf of the Trustee over the year is below. The Trustee's primary focus in this regard is on the Aegon BlackRock 50/50 Global Equity Index, the Aegon BlackRock World (ex-UK) Equity Index and the Aegon BlackRock Market Advantage funds, since over 70% of the DC Section assets are invested in these three funds.

Aegon BlackRock 50/50 Global Equity Index		
Voting activity	Number of eligible resolutions:	2,390
	Percentage of eligible resolutions cast:	98%
	Percentage of votes against management:	4%
	Percentage of votes abstained from:	0%
Climate change	<p>Significance: The resolution challenged whether Shell's LNG growth plan is compatible with its net-zero pledge and reflects growing investor scrutiny of fossil fuel strategies.</p> <p>Company: Shell Plc</p> <p>Resolution: G80827101: Request Company disclose whether and how its demand forecast for liquified natural gas (LNG); LNG production and sales targets; and new capital expenditure in natural gas assets; are consistent with climate commitments, including target to reach net zero emissions by 2050.</p> <p>Decision: Against (in line with management recommendation)</p> <p>Rationale: The company already provides sufficient disclosure and/or reporting regarding this issue or is already enhancing its relevant disclosure.</p>	
Human and labour rights	<p>Significance: Shareholder proposals sought to address company impacts on people through shareholder-directed decisions on issues related to human capital management and corporate strategy.</p> <p>Company: HCA Healthcare Inc</p> <p>Resolution: 40412C101: Report on Healthcare Consequences of Acquisition Strategy</p> <p>Decision: Against (in line with management recommendation)</p> <p>Rationale: The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company. Corporate policy decisions are best left to the board absent demonstrable harm to shareholders by prior board action or inaction. The board can be held accountable for its decisions through the election of directors.</p>	
Company remuneration policies	<p>Significance: UK companies continued to seek shareholder approval to grant larger pay packages and increase their use of time-based awards. In their disclosures, companies have stated that these updated packages enable closer alignment with compensation offered in the U.S. market, thereby improving their competitiveness in attracting and retaining global talent.</p> <p>Company: Sage Group Plc</p> <p>Resolution: GB00B8C3B: Approve Remuneration Policy</p> <p>Decision: For (in line with management recommendation)</p> <p>Rationale: The company updated its program following significant growth in its business, and related efforts to ensure such policies remained competitive in the U.S. market, where a majority of its revenue is based.</p>	

Aegon BlackRock World (ex-UK) Equity Index		
Voting activity	Number of eligible resolutions:	23,888
	Percentage of eligible resolutions cast:	98%
	Percentage of votes against management:	5%
	Percentage of votes abstained from:	0%
Climate change	<p>Significance: Shareholder proposals addressing climate and natural capital-related risks and opportunities overly prescriptive or focused on business risks that companies already had processes in place to address.</p> <p>Company: Equinor ASA</p> <p>Resolution: R2R90P103: Withdrawal from All Offshore Wind Globally; Eliminate Management Bonuses</p> <p>Decision: Against (in line with management recommendation)</p> <p>Rationale: The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.</p>	
Human and labour rights	<p>Significance: In recent years, companies in various sectors have highlighted advancements in deploying AI in their businesses as both a material driver of opportunity and risk.</p> <p>Company: Alphabet, Inc</p> <p>Resolution: 02079K305: Report on Risks of Discrimination in GenAI</p> <p>Decision: Against (in line with management recommendation)</p> <p>Rationale: The company already provides sufficient disclosure and/or reporting regarding this issue or is already enhancing its relevant disclosure.</p>	
Company remuneration policies	<p>Significance: BlackRock did not support the election of the compensation committee chair and the approval of the annual bonus to certain board directors.</p> <p>Company: Takeda Pharmaceutical Co Ltd</p> <p>Resolution: J8129E108: Elect Director Higashi, Emiko</p> <p>Decision: Against (contrary to management recommendation)</p> <p>Rationale: In BlackRock's assessment, there was a misalignment between pay and performance, alongside insufficient disclosure on the effectiveness of the remuneration policies in incentivising long-term financial value creation.</p>	

Aegon BlackRock Market Advantage		
Voting activity	Number of eligible resolutions:	22,038
	Percentage of eligible resolutions cast:	97%
	Percentage of votes against management:	5%
	Percentage of votes abstained from:	1%
Climate change	<p>Significance: Shareholders requested the company to disclose annually its Clean Energy Supply Financing Ratio, defined as its total financing through equity and debt underwriting, and project finance, in low-carbon energy supply as a proportion of that in fossil-fuel energy supply.</p> <p>Company: Bank of America Corp</p> <p>Resolution: Report on Clean Energy Supply Financing Ratio</p> <p>Decision: Against (in line with management recommendation)</p>	

	<p>Rationale: The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.</p>
Human and labour rights	<p>Significance: Stockholders urged to commission an independent, third-party assessment of the Board of Directors and its Board committee structure in providing oversight of human rights risks associated with Artificial Intelligence.</p> <p>Company: Amazon.com, Inc.</p> <p>Resolution: Commission third party assessment of Board oversight of Human Rights risks of AI.</p> <p>Decision: Against (in line with management recommendation)</p> <p>Rationale: The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.</p>
Company remuneration policies	<p>Significance: BlackRock understand that well-structured compensation policies reward the successful delivery of strategic, operational, and/or financial goals, encourage an appropriate risk appetite, and align the interests of shareholders and executives through equity ownership.</p> <p>Company: Anheuser Busch Inbev SA</p> <p>Resolution: Approve Remuneration Report</p> <p>Decision: Against (contrary to management recommendation)</p> <p>Rationale: BlackRock understand that the remuneration arrangements are poorly structured. Disclosure does not provide sufficient understanding of the company's remuneration policies and the link between performance-based pay and company performance.</p>

Manager voting policies and engagement priorities:

BlackRock

BlackRock's Investment Stewardship team is comprised of more than 60 professionals that operate across nine offices in the Americas, APAC and EMEA, taking a local approach with companies while benefiting from global insights. This team engaged 3,384 times with 2,394 companies in the reporting period up to 31 December 2024. BlackRock prioritises their work around engagement themes to encourage sound corporate governance practices and deliver sustainable long-term financial performance for clients. During 2024, BlackRock has focused on the following key areas:

- Board quality and effectiveness
- Climate and natural capital
- Strategy, purpose and financial resilience
- Incentives aligned with financial value creation
- Company impacts on people

BlackRock's processes for deciding how to vote.

"As shareholders of public companies, BlackRock's clients have the right to vote on matters proposed by a company's management or its shareholders. Most of our clients authorize BlackRock to exercise this right on their behalf. For those clients, and as a fiduciary, BlackRock is legally required to make proxy voting determinations in a manner that is consistent with their investment objectives. BlackRock Investment Stewardship does this by casting votes in favor of proposals that, in the team's assessment, will enhance long-term shareholder value.

BlackRock Investment Stewardship's benchmark policies, and the vote decisions made consistent with those policies, reflect the team's reasonable and independent judgment of what is in the long-term financial interests of clients. BlackRock Investment Stewardship's vote decisions are informed by the team's in-depth analysis of company disclosures, third-party research, comparisons against a company's industry peers, and engagement with boards and management teams.

BlackRock Investment Stewardship does not act collectively with other shareholders or organizations in voting shares nor follows any proxy research firm's voting recommendations. In addition, BlackRock Investment Stewardship does not disclose its vote intentions in advance of shareholder meetings as the team do not see it as its role to influence other investors' proxy voting decisions. BlackRock Investment Stewardship's role is to convey to a company its view on how its board and management are fulfilling their responsibilities to our clients as minority shareholders.

The vast majority of the team's voting decisions are straightforward applications of the BlackRock Investment Stewardship benchmark policies and are determined by the relevant voting analyst, in consultation with team members or the regional BlackRock Investment Stewardship head, as necessary. That said, BlackRock Investment Stewardship's benchmark policies are not prescriptive and take into consideration the context in which companies are operating their businesses.

BlackRock Investment Stewardship analysts may, in the exercise of their professional judgment, conclude that the benchmark policies do not cover the specific matter upon which a proxy vote is required or that an exception to the guidelines would be in the long-term financial interests of BlackRock's clients.

Generally, BlackRock Investment Stewardship supports the vote recommendations of the board of directors and management. When BlackRock Investment Stewardship determines it is in BlackRock's clients' financial interests to convey concern to companies through voting, the team may do so in two forms: it might not support the election of directors or other management proposals, or it might not support management's voting recommendation on a shareholder proposal.

In certain markets, proxy voting involves logistical issues which can affect BlackRock's ability to vote, as well as the desirability of voting. In these cases, BlackRock votes on a "best efforts" basis. In addition, BlackRock Investment Stewardship may determine that it is generally in the long-term financial interests of BlackRock's clients not to vote proxies (or not to vote the full allocation) if the costs (including but not limited to opportunity costs associated with share-blocking constraints) associated with exercising a vote are expected to outweigh the benefit the affected clients would derive by voting on the proposal."

How, if at all, has BlackRock made use of proxy voting services?

"Proxy research firms provide research and recommendations on proxy votes as well as voting infrastructure. BlackRock Investment Stewardship leverages Institutional Shareholder Services (ISS) as an external proxy services vendor. ISS' electronic voting platform allows BlackRock Investment Stewardship to monitor voting activity, execute proxy vote instructions, record keep, and generate client and regulatory voting reports. BlackRock Investment Stewardship also uses Glass Lewis' services to support research and analysis. In addition to the global research provided by Institutional Shareholder Services (ISS) and Glass Lewis, BlackRock Investment Stewardship subscribes to market-specific research providers including Institutional Voting Information Service in the UK, Ownership Matters in Australia, Stakeholder Empowerment Services in India, and ZD Proxy in China.

Although proxy research firms provide important data and analysis, BlackRock Investment Stewardship does not follow any proxy research firm's voting recommendations.

BlackRock Investment Stewardship has operational specialists on the team who are fully focused on ensuring votes cast on behalf of clients are successfully instructed, using its vendor's electronic voting platform. The controls BlackRock Investment Stewardship has in place ensure that the team identifies upcoming meetings, cast votes ahead of the voting deadline for each meeting, reconcile holdings with ballots received, and identify any uninstructed ballots."

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has employed a stewardship services provider for a number of years to enhance its stewardship activities. One element of this service is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to support capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to the stewardship service provider via the Client Advisory Council, of which its Head of Sustainable Investing currently chairs. It applies the stewardship service provider's services, from public policy engagement to corporate voting and engagement, to several of its funds.

Some highlights from 2024 include:

- 994 companies engaged across regions on 4,267 issues and objectives
- 62 companies in their core programme featured engagements with the CEO or chair
- Making voting recommendations on 143,075 resolutions at 14,701 meetings, including recommended votes against 25,070 resolutions
- Participation in a range of global stewardship initiatives.

The Fiduciary Manager participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code for more information: <https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>.

5. Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.