

Sainsbury's Pension Scheme (“the Scheme”)

Implementation Statement covering the Scheme year from 1 October 2024 to 30 September 2025 (forming part of the Trustee’s report)

1. Introduction

This Statement covers the Scheme year ending 30 September 2025. The purpose of this Statement is to:

- ❖ outline any changes that have been made to the Statement of Investment Principles ('SIP') over the period (set out below); and
- ❖ provide details of how the Trustee’s policies on environmental, social, and corporate governance (ESG) issues, including climate change risks, and policies on engagement and voting have been adhered to.

This Statement has been produced in accordance with the regulatory requirements and the guidance published by the Pensions Regulator. The investment managers have been assessed according to the policies set out in the SIP. This Statement does not cover the Additional Voluntary Contributions.

The Scheme has two Sections, the Sainsbury’s Section and the Argos Section. Both Sections are well funded and have relatively low risk investment policies.

Key changes over the Scheme-year are outlined in Section 3 under Investment Objectives and Investment Strategy.

The Scheme had no allocation to listed equity mandates over the year and there was no voting data to report on behalf of the Scheme.

The Trustee continues to focus on engagement activity. The Trustee has set engagement priorities which have been shared with all the investment managers. Day-to-day engagement is delegated to the Scheme’s investment managers. The Trustee delegates the monitoring of managers to the Investment Committee (“IC”), which meets with key managers at least annually, to actively challenge them on their engagements.

The Trustee has, in its opinion, followed the Scheme’s ESG and engagement policies during the Scheme year by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments and by monitoring and challenging the activities undertaken by its investment managers. The Trustee is satisfied that the investment managers are adhering to the Trustee’s policies on ESG and engagement.

2. Review and changes to the Statement of Investment Principles

In June 2025, the Trustee held a Sustainable Investment Workshop to review its overall approach to sustainable investment. As a result of the workshop, the Trustee updated its investment beliefs related to sustainable investment.

The Trustee’s SIP was subsequently amended in September 2025 to reflect these changes. These amendments included:

- Where it is aligned with the Trustee’s wider fiduciary duty, the Trustee may explore opportunities within existing asset classes (through existing or new managers) that are expected to provide positive, measurable social and environmental impact alongside a financial return (“Impact” investments). In this case, the opportunity would need to offer market-like risk-adjusted returns.
- Divestment should generally be considered on ESG grounds only if engagement fails.

There were several changes implemented over the Scheme year, as described overleaf.



3. Investment Objectives and Investment Strategy

The Trustee's primary responsibility in respect of investments is to ensure, for the lifetime of the Scheme, that funds will be available to meet the benefit payment obligations as they fall due. The Trustee seeks to achieve this objective by investing in a portfolio of assets that generate sufficient expected return and sufficient liquidity to meet this objective. The investment strategy is diversified across a range of asset classes, in both public and private markets, and is implemented using several investment managers.

The investment objective for the Sainsbury's Section is to achieve 100% funding on a gilts + 0.50% basis. Given the market conditions, after year-end the IC agreed to target 100% funding on this basis within a range of between 2029-2032, rather than a specific year.

The investment objective for the Argos Section is to achieve 100% funding on the Gilts + 0.25% basis by 2029.

The investment strategy is kept under regular review to ensure it is aligned with the Trustee's objectives. There were several changes to the investment strategy over the year, which have been summarised here:

Insight CDS termination

At the March 2025 IC meeting, the IC agreed to terminate the CDS mandates managed by Insight. The CDS portfolios had added value since inception as global investment grade credit spreads have narrowed. However, as spreads had narrowed, and the spread between the CDS portfolios was notably lower than the equivalent corporate bond portfolio, the IC agreed to terminate the mandates in order to reduce downside investment risk.

Allocating to Man Group Diversified Risk Premia ("DRP")

During the Scheme year, the IC agreed to allocate 185m to DRP, funded from surplus collateral held in the LDI portfolio. This allocation was made post Scheme year end.

In order to ensure the IC was comfortable with the Section's investment into DRP, the investment adviser facilitated multiple training sessions throughout the Scheme year.

Allocating to DRP allowed the Section to efficiently maintain overall expected return in the context of wider risk exposures running-off, whilst managing liquidity and diversifying its sources of risk across risk premia.

Angelo Gordon Direct Lending Fund III ("DLF III")

In July 2025, the Scheme received a proposal from Angel Gordon in respect of the Sainsbury's Section's holdings in DLF III, for the fund's remaining assets to be transferred into a new continuation vehicle or to select a "liquidity option".

Taking the liquidity option increased the level of cash due to be received from the Scheme's illiquid assets in the near term and allowed the Scheme to redeploy cash into other illiquid strategies, which has been a key focus over the scheme year. Reinvestment into illiquid assets has also been a focus post Scheme year-end (covered below).

Reinvestment into Illiquid Assets

At the September IC meeting, the IC discussed the next steps for the reinvestment of the proceeds from the illiquid assets.

At the November IC, post-Scheme year-end, it was agreed that the Sainsbury's Section would make an overall new allocation to private credit of 8% of total assets. This allocation was to be split 60%/40% between Direct Lending and Asset Based Finance respectively.



4. Environmental, Social, Governance (ESG) Risks

The Trustee believes that environmental, social, and corporate governance (“ESG”) factors, including the impact of climate change risks, can be financially material. They should therefore be considered as part of the Scheme’s investment process. Based on the responses and information provided by the Scheme’s investment managers, the Trustee was comfortable that all of the managers are acting in accordance with the SIP with respect to the Scheme’s ESG, stewardship and engagement policies.

Outlined below are the SIP policies that relate to ESG risks along with an explanation of how these have been implemented for the year to 30 September 2025.

Policy

“The Trustee believes that environmental, social and corporate governance (ESG) issues including the impact of and potential policy responses to climate change can be financially material to long-term investment portfolios and should therefore be considered as part of the Scheme’s investment process.

The Trustee delegates responsibility for the Scheme’s policy on ESG risks to the Investment Committee.

The Investment Committee has given their investment managers full discretion to evaluate ESG issues in the selection, retention and realisation of investments. The Investment Committee believes that good active managers consider how to best account for ESG factors, including climate change risks, in their investment process.

The evaluation of how the Investment Committee’s active managers identify and manage material ESG risks including climate change, along with the quality of their stewardship activities, forms part of the Investment Committee’s ongoing appraisal of the manager’s appointment.

It is accepted that pooled investments will be governed by the individual policies of the investment managers. The extent to which ESG and climate change risks are taken into account are left to the discretion of the investment manager and forms part of the Investment Committee’s monitoring and ongoing assessment of these investments.”

Implementation

The IC has assessed the investment managers’ engagement activity and ESG policies, as well as their implementation over the year. In October 2024, Insight and PIMCO were invited to present to the IC. During the meeting, the IC emphasised the importance of ongoing engagement and the ability to track actions that had resulted from the engagements.

In Q1 2025, the investment adviser provided an ESG and Carbon Metrics Report for both Sections of the Scheme. This included a Carbon Metrics, Alignment Metrics and Climate Scenarios Review as well as the Data and Calculation Methodology.

The Trustee has prepared the fourth Climate report for the Scheme. As part of this, alongside J Sainsbury plc (the “Sponsor”), the Trustee has maintained the aspiration to achieve net-zero by 2050. The aspiration was originally based on the assumption that the low-carbon transition would progress at a reasonable pace, and that the most ambitious goals of the Paris Agreement would remain achievable. However, global consensus suggests this is increasing unlikely; therefore, the Scheme’s net-zero aspiration may need to be recalibrated.

In December 2024, the investment adviser facilitated a Biodiversity training session and introduced the concept of binary and risk-based metrics used to measure the impact on the environment. Biodiversity and nature are considered important factors in supporting and protecting natural carbon sinks, which can contribute towards achieving a nature-positive net zero.



Policy

“Where it is aligned with the Trustee’s wider fiduciary duty, the Trustee may explore opportunities within existing asset classes (through existing or new managers) that are expected to provide positive, measurable social and environmental impact alongside a financial return (“Impact” investments). In this case, the opportunity would need to offer market-like risk-adjusted returns.”

Implementation

In June 2025, the Trustee attended a Sustainable Investment (“SI”) Workshop held by its investment adviser. Following the workshop the Trustee believed that Impact investment opportunities may be considered alongside non-impact investments. The Trustee will continue to consider any relevant opportunities supported by its investment adviser. However, currently the Trustee has not identified any specific “impact” investment opportunities consistent with its strategy.

Additionally, at the SI Workshop the Trustee agreed to begin monitoring the Implied Temperature Rise (“ITR”) metric as part of their risk dashboard, which has been implemented post year-end. ITR assesses the degree to which an investment is aligned with the 6 goals of the Paris Agreement. It does this by translating the investment’s progress on decarbonisation into an equivalent temperature increase.



5. Stewardship & Engagement activity

The Scheme has had no allocation to physical equity mandates since February 2021 and terminated the synthetic equity overlay (with no voting rights) in May 2023. As such, there was no voting data to report over the 12 months to 30 September 2025. However, the Trustee notes that the Man DRP allocation will come into scope for the March 2027 Implementation Statement (covering the Scheme year to 30 September 2026). This report does not seek to cover equity holdings that may arise in pooled funds which are not intended to hold equity but may be permitted to do so if required (e.g. as part of a corporate restructuring).

Outlined below are the SIP policies that relate to Stewardship and Engagement along with an explanation of how these have been implemented for the year to 30 September 2025.

Policy

“The Trustee believes that effective stewardship can enhance long-term portfolio performance and is therefore in the best interests of the Scheme’s beneficiaries and aligned with fiduciary duty. Divestment should generally be considered on ESG grounds only if engagement fails.

The Trustee delegates responsibility for the Scheme’s policy on stewardship, including engagement activities, to the Investment Committee.

Investment managers are given full discretion in exercising stewardship obligations relating to the Scheme’s investments. All investment managers are expected to engage with issuers on all relevant stewardship matters including performance, strategy, risks, social and environmental impact and corporate governance. Furthermore, the Investment Committee encourages its fund managers to work collectively with other managers when practical.

Stewardship capabilities are therefore a significant factor during manager selection, and in ongoing manager monitoring. The Investment Committee may engage with its investment managers as part of its stewardship monitoring process or, potentially, as a particular stewardship matter is brought to its attention.

Monitoring will be focused on the investment managers’ engagement activities since the Scheme has no exposure to listed equities with voting rights. The Investment Committee has not had, and does not expect, direct engagement with the issuers or other holders of debt or equity.”

Implementation

The Trustee considers the investment managers’ approach to stewardship on ESG matters as part of any appointment and as part of ongoing monitoring through meetings with the Scheme’s key investment managers.

There is a Terms of Reference for the IC which sets out the delegations from the Trustee including oversight of stewardship and engagement activities and the IC reviews the stewardship activity annually.

The Trustee has continued to delegate to its investment managers the exercise of rights and engagement activities in relation to investments.

The IC hold the Scheme’s managers to account on ESG and Stewardship activities, by inviting managers to present at IC meetings. During the October 2024 IC meeting, the IC emphasised the importance of ongoing engagement and the ability to track actions that had resulted from the engagements to two of the Scheme’s managers, Insight and PIMCO.

In addition, the IC agreed to carry out a Manager Stewardship Oversight meeting in January 2026, after the Scheme year end, to undertake a more in-depth review of engagement activity carried out by the Scheme’s LDI and credit managers.



Policy

“The Investment Committee encourages best practice in terms of engagement with investee companies and expects the Scheme’s investment managers to discharge their responsibilities in accordance with the principles of the Financial Reporting Council’s UK Stewardship Code (“the Code”) as far as it is able. The managers are required to report on the extent of their adherence to the Code, alongside their broader stewardship activities on an annual basis.”

Implementation

8 out of 17 of the Sainsbury's Section’s investment managers and 7 out of 9 of the Argos Section’s investment managers have confirmed their adherence to the UK Stewardship Code. These managers cover the vast majority of the Scheme’s assets by value. Where managers are not signatories to the Code, the IC is satisfied that this is limited to private market and property strategies where the Code has less relevance.

The stewardship priorities set by the Trustee have been communicated to all the Scheme’s investment managers. The Trustee understands that the investment managers have their own stewardship policies but expects its investment managers to report clearly on engagements that have been undertaken and any resulting actions in respect of the Trustee’s priorities.