

Weetabix Executive 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 5 April 2020. 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 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

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. The objectives of the Scheme included in the SIP are as follows:

- To ensure the Scheme's obligations to its beneficiaries can be met;
- To achieve an asset return above the return from gilts over the longer term, whilst recognising the need to balance risk control and return generation;
- To ensure consistency between the Scheme's investment strategy and the return assumptions used by the Scheme Actuary;
- To pay due regard to the Company's interests in the size and incidence of employer contribution payments.

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. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was reviewed in September 2019 and following the year end in September 2020.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant, Mercer Limited (Mercer), on responsible investment which covered ESG factors, stewardship, climate change and the approach undertaken by Mercer Global Investments Europe Limited (MGIE) in its capacity as investment manager to the Ireland-domiciled collective investment schemes in which the majority of the Scheme's assets are invested. This training was provided in May 2019.

Assessment of how the policies in the SIP have been followed for the year to 5 April 2020

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP.

Engagement

- The Trustees have appointed Mercer to act as discretionary investment manager in respect of the Scheme's investments in Multi-Asset Credit, Corporate Bonds (via the Tailored Credit Fund) and Absolute Return Fixed Income and these assets are invested in a range of Mercer Funds managed by MGIE.
- Underlying asset managers appointed by MGIE to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code, regardless of where they are domiciled. In addition, they are expected to monitor investee companies and to report on stewardship activities and outcomes on an annual basis, as set out in a publicly available Sustainable Investment Policy.
- The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE is expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics.
- The Trustees considers how ESG, including climate change, is integrated within Mercer's and MGIE's investment processes by reviewing the ESG ratings assigned by Mercer (and its affiliates') global manager research team, which are included in the investment performance report produced by Mercer on a quarterly basis. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. Expectations are set as ESG3 or above, where practicable and relevant to the strategy (with ESG1 being the highest rating and ESG4 being the lowest). Comparisons are also made with the appropriate universe of strategies in Mercer's global investment manager database.
- The Scheme was also invested in the Aberdeen Standard Investments' ("ASI's") Global Absolute Return Strategies ("GARS") Fund during the year in review although the Trustees disinvested fully from this fund in March 2020. While the Scheme was invested in this fund, the Trustees monitored the manager's incorporation of ESG factors within their investment decision making by utilising their investment consultant's (Mercer Limited) ESG rating scale. The ESG rating for the ASI Fund was reported to the Trustees on a quarterly basis and should the investment consultant's rating be downgraded, the Trustees would review the reasons for the change in rating.

- A portion of the Scheme's assets are also invested in a range of gilt and index linked gilt based funds managed by Legal and General Investment Management ("LGIM"). However, whilst ESG issues are relevant to risk control, there are fewer opportunities to influence the "investee company behaviour" with respect to these assets as the investments are in securities (i.e. gilts and index linked gilts) issued by the UK government rather than companies whose management can be engaged.
- When implementing a new investment managers the Trustees consider how ESG factors are integrated within the prospective manager's decision-making process, with help from the investment consultant. The Trustees did not appoint any new managers over the period.

Responsible Investment and Corporate Governance

During the year, the Scheme's assets were invested in bond-based funds managed by MGIE, the ASI GARS Fund and a number of gilt and index linked based funds with LGIM. The LGIM funds comprise the risk-reducing element of the Scheme's investment portfolio and are held primarily for the purpose of achieving sensitivity to interest rates and inflation to seek to "match" the characteristics of the Scheme's liabilities. The Trustees accept that in the case of the risk-reducing assets, whilst ESG issues are still relevant to risk control, there are fewer opportunities to influence investee company behaviour compared to equity holdings. Similarly, the Trustees acknowledge that this is the case for the bond-based Mercer funds in which the Scheme invests. The Trustees encourage the investment managers to use their position as a lender of capital to engage with companies.

In March 2020, the Trustees disinvested the Scheme's holdings the ASI GARS Fund. Prior to redemption, the Trustees gave ASI full discretion in exercising any voting rights attached to these investments. A summary of ASI's voting activity over the period from 6 April 2019 until the point of disinvestment is outlined below. The remainder of the Scheme's assets (as already described) were invested in fixed and index-linked gilts, multi-asset credit, corporate bonds and absolute return fixed income; assets which do not carry voting rights.

The Trustees did not use the direct services of a proxy voting manager during the year but accepts that the investment managers of pooled funds in which the Scheme invests may appoint a proxy voting manager (or obtain information through a proxy voting researcher) on behalf of the pooled fund where relevant.

Voting Activity

		Total	
Votable Proposals		2,640	
Proposals Voted	2,506		94.9%
Votes Against	290		11.6%

Source: ASI