

## **Weetabix Group Pension Scheme (“the 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.

## Engagement Policy Implementation Statement

The Trustees keep their policies under regular review with the SIP subject to review at least triennially.

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

- The Trustees have continued to appoint Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE. The Scheme also has holdings in an external Property Fund, managed by Patrizia AG (noting that this only makes up c.1.5% of total Scheme assets as at 5 April 2020).
- Investment managers appointed by MGIE to manage the Mercer Funds, as well as Patrizia AG, 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, investment managers appointed by MGIE 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 considers how ESG, climate change and stewardship is integrated within Mercer's, MGIE's, the Mercer Fund underlying managers' and Patrizia AG's investment processes 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 consider how ESG, including climate change, is integrated within Mercer's, MGIE's and Patrizia AG'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.
- Whilst not directly relevant for the Scheme at this time, the Trustees are aware that Mercer produce climate-related metrics such as carbon foot- printing for equities and Mercer's intention is to expand this to a wider range of funds.

### **Engagement Policy Implementation Statement**

- The Trustees are also working with the investment consultant to encourage the fixed income managers to take a more active role in engagement in the companies they invest with.

### **Stewardship monitoring**

At the time of writing, the Scheme does not have holdings in equity funds, so stewardship is not of direct concern. However, the Trustees are comforted by the efforts that Mercer go to in this area. Specifically, Mercer produce an annual Stewardship Monitoring Report which is available for the Trustees' review. The report summarises and comments on the stewardship activities and disclosure of the investment managers appointed within the largest MGIE equity funds within the Model Growth Portfolio, for the period 1 July 2018 to 30 June 2019 unless stated otherwise.

The Stewardship Monitoring Report provides voting statistics, together with brief commentary, based on manager disclosed information and covers votes cast in four parts: a) votes against management; b) votes against proxy adviser policy (where applicable); c) abstentions; and d) no votes. The report also provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics.

For the 2020 reporting cycle, vote reporting will include a general description of voting behaviour, an explanation of the most significant votes taken, information on the use (if any) of the services of proxy advisors. Information on how votes have been cast in the general meetings of companies in which the investment managers appointed to the Mercer Funds hold shares across equity portfolios is also included. Engagement reporting will include examples where investment managers have engaged with companies, relating to the number of companies engaged, engagement examples by topic, engagement examples that are collaborative and any voting activity / engagement activities impacting investment decisions, where available. These engagement reviews will extend across equities as well as other asset classes (e.g. fixed income and real estate) in light of the 2020 UK Stewardship Code which calls for engagement across additional asset classes as well as equities.