

# Engagement Policy Implementation Statement for the Year Ended 5 April 2022

## Weetabix Executive Pension Scheme (“the Scheme”)

### 1. INTRODUCTION

This Engagement Policy Implementation Statement (the “Statement”) sets out the Trustees’ assessment of how, and the extent to which, they have followed their engagement policy and their policy with regard to the exercise of rights (including voting rights) attaching to the Scheme’s investments during the one-year period to 5 April 2022 (the “Scheme Year”). The Trustees’ policies are set out in their Statement of Investment Principles (“SIP”) dated September 2020. A copy of the Trustees’ SIP is available at <https://weetabixfoodcompany.co.uk/weetabix-executive-pension-scheme/>

This Statement has been produced in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018* and the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* along with guidance published by the Pensions Regulator.

The Trustees have appointed Mercer Limited (“Mercer”) as discretionary investment manager for the Scheme’s Corporate bond and Absolute Return Fixed Income allocations. Pursuant to that appointment, the day-to-day management of the Scheme’s assets is by investment in a range of specialist pooled funds (the “Mercer Funds”). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited (“MGIE”). MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund’s assets.

Additionally, the Trustees have appointed Legal & General investment Management (“LGIM”) as investment manager for the Scheme’s liability hedging funds. However, the Trustees acknowledge that Stewardship and Environmental, Social and Governance (“ESG”) considerations are not applicable to the liability hedging funds managed by LGIM as the investments are predominantly in securities (i.e. gilts) issued by the UK government rather than companies whose management can be engaged with.

Under these arrangements, the Trustees accept that they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds nor LGIM Funds. However, the Trustees have made Mercer aware that they expect MGIE and LGIM to manage assets in a manner, as far as is practicably possible, that is consistent with the Trustees’ engagement policy and their policy with regard to the exercise of rights attaching to the Scheme’s investments. The Trustees review regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being properly implemented. The Trustees also monitor the LGIM Funds and review them on a periodic basis.

Section 2 of this Statement sets out the Trustees’ engagement policy and assesses the extent to which it has been followed over the Scheme Year.

Section 3 sets out the Trustees’ policy with regard to the exercising of rights (including voting rights) attaching to the Scheme’s investments and considers how, and the extent to which this policy has been followed during the Scheme Year. This Section also provides detail on voting activity undertaken by the Scheme’s third party investment managers during the Scheme Year.

Taking the analysis included in Sections 2 to 3 together, it is the Trustees' belief that their policies with regard to engagement and the exercise of rights attaching to investments has been successfully followed during the Scheme Year.

## **2. TRUSTEES' POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE**

### **Policy Summary**

The Trustees believe that good stewardship and the incorporation of ESG factors into their investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme's assets over the medium and longer term. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that require the Trustees' explicit consideration.

It is the Trustees' policy that the third party investment managers appointed by Mercer, via Mercer Global Investments Europe (MGIE), and the LGIM Funds report in line with established best practice such as the UK Stewardship Code and UK Corporate Governance Code, where possible, including public disclosure of compliance via an external website, when managing the Scheme's assets. Further, in appointing the third party asset managers, the Trustees expect MGIE to select managers where it believes the managers will engage directly with issuers in order to improve their financial and non-financial performances over the medium to long term. To monitor the third party investment managers' compliance with this expectation, the Trustees consider regular reports from Mercer that include an assessment of each third party manager's engagement activity. The Trustees receive quarterly updates on Mercer's view of LGIM's ESG capabilities within their reporting.

Should the Trustees consider that Mercer, MGIE or the third party asset managers, have failed to align their own engagement policies with those of the Trustees, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

## How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change.

Policy Updates	Climate Change Reporting and Carbon Foot-printing	ESG Rating Review
<p>The <b>Trustees</b> consider how ESG, climate change and stewardship is integrated within Mercer's, MGIE's, and LGIM's investment processes and those of the underlying asset managers (within the Mercer Funds) in the monitoring process. Mercer, MGIE and LGIM have provided reporting to the Trustees on a regular basis.</p> <p>The Mercer <u>Sustainability Policy</u> is reviewed regularly. In March 2021, there was an update in relation to Sustainable Finance Disclosure Regulation ("SFDR") implementation.</p> <p>In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone <u>Engagement Policy</u> to specifically address the requirements of the directive.</p> <p>For LGIM, a separate Sustainability Policy and Engagement Policy reports are accessible <b>online</b>.</p>	<p>Mercer undertake climate scenario modelling and stress testing on the Mercer multi sector funds used by the Scheme, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The results of the latest climate scenario modelling are within the TCFD compliant <u>Climate Change Management Report</u>. The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.</p> <p>The headline Weighted Average Carbon Intensity ("WACI") metric for all equity funds is reported in the Quarterly Investment Reports whilst an in-depth analysis of top 5 carbon emitters, the top 5 contributors to the WACI, and the trends over time is completed on an annual basis. The latest in-depth analysis is as at 30 June 2021 and also used by the Mercer and MGIE investment team to drive engagement with managers.</p>	<p>ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the <b>Trustees</b>. ESG ratings are reviewed by MGIE, for the Mercer Funds, during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. The Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer's global investment manager database.</p> <p><b>As at 31 December 2021, in the Annual ESG review provided by Mercer, the Trustees</b> noted that all the Mercer Funds in which the Scheme invests now have an ESG rating equal to or above their asset class universe.</p> <p>The Trustees also receive quarterly updates on the ESG ratings of the LGIM liability hedging funds.</p>
<b>Approach to Exclusions</b>	<b>Diversity</b>	
<p>As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.</p>	<p>From 31 December 2020, gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer's established Diversity Charter.</p>	

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Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds, and passive equity funds.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (“UNGC”) Principles that relate to human rights, environmental and corruption issues.

Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 30 September 2021 33% of the Key Decision Makers (KDM’s) within Mercer IS team are non-male, and our long term target is 50%. Within the Fixed Income universe the average fund has 8% non-male KDM’s and within the average EMEA Active Equity universe the average is 12%. Figures relating to Mercer Fixed Income and Active Equity Funds are currently slightly ahead at 9% and 13%.

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### **3. TRUSTEES’ POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO FUND INVESTMENTS**

#### **Policy**

The Trustees’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme’s investments to the third party investment managers appointed by Mercer on the Trustees’ behalf as well as LGIM.

However, the nature of the Scheme’s investment strategy (fixed income-orientated investment strategy) means that there are no voting rights to exercise.