

The Everards Brewery Ltd Pension Fund (“the Fund”)

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”) has been followed during the year to 30 September 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 guidance published by the Pensions Regulator.

Investment objectives of the Fund

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Fund included in the SIP are as follows:

The Trustees’ main priority is to invest the Fund’s assets in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest with the Sponsoring Company, in the sole interests of the members and beneficiaries. Within this framework, the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Fund is exposed. The Trustees’ primary objectives are as follows:

- To ensure that they can meet their obligations to the beneficiaries of the Fund.
- To pay due regard to Everards Brewery Limited’s interest in the size and incidence of contribution payments, to maintain the Company’s support and to help remove the deficit that currently exists.
- To achieve a favourable return against the Fund’s specified benchmark.

Policy on ESG, Stewardship and Climate Change

The Fund’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 last reviewed in July 2020.

In order to establish these beliefs and produce this policy, the Trustees’ investment consultant provided guidance on responsible investment at the 31 May 2019 Investment Committee meeting, which covered ESG factors, stewardship, climate change and ethical investing. The agreed policy was incorporated into the SIP following this meeting. The Trustees keep their policies under regular review with the SIP subject to review at least triennially and following any material changes to their investment strategy or policies.

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

Engagement

- During the year to 30 September 2020, the Fund's investment performance report was reviewed by the Trustees (and / or the Investment Committee) on a quarterly basis – this includes ratings (both general and ESG-specific) from the investment consultant. The investment manager remained highly rated during the year. From an ESG perspective, the Trustees will continue to monitor and engage with the manager from time to time. When implementing new funds or a new manager the Trustees would consider the ESG rating of the funds / manager. The investment performance report includes detail on how the investment manager is delivering against its specific mandate.
- The investment manager confirmed compliance with the principles of the UK Stewardship Code. The manager confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.
- Post the Fund's year end, the investment manager provided details of relevant engagement activity for the year to 30 September 2020. The Fund's investment manager engaged with companies over the year on a wide range of different issues including ESG factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Fund's manager provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the manager invests in or by voting on resolutions at companies' Annual General Meetings.

Voting Activity

In producing this Engagement Policy Implementation Statement, one of the Trustees' aims is to enhance their reporting on voting activity.

The Trustees have delegated their voting rights to the investment manager. The manager is expected to provide voting summary reporting on a regular basis, at least annually.

The Trustees do not use the direct services of a proxy voter.

Over the prior 12 months, the Trustees have not actively challenged the manager on its voting activity. Going forwards, the Trustees aim to be active in reviewing voting activity, particularly when the investment manager is being reviewed and/or during selection exercises.

Over the year ending 30 September 2020, the key voting activity on behalf of the Trustees is set out below.

The voting policy of the manager has been considered by the Trustees and the Trustees deem it to be consistent with their investment beliefs.

L&G relies on the service of a proxy advisor, ISS, but have developed and implemented their custom policies. L&G retains the oversight and the decisions made on the voting rights.

Voting activity undertaken over the year to 30 September 2020 is summarised in the table below for the Fund's passively managed equity funds and actively managed Dynamic Diversified Fund:

Fund	Number of meetings in which L&G was eligible to vote	Number of resolutions in which L&G was eligible to vote	% of resolutions in which L&G voted	% of votes with management / against management	% of votes contrary to the recommendation of the proxy adviser
UK Equity Index	822	11,799	99.9%	93.2% / 6.8%	6.1%
North America Equity Index	726	8,951	99.8%	72.4% / 27.5%	21.7%
Europe (ex UK) Equity Index	514	8,971	99.1%	83.8% / 15.8%	7.8%
Japan Equity Index	519	6,277	99.6%	86.7% / 13.3%	10.4%
Asia Pacific (ex Japan) Developed Equity Index	472	3,345	99.5%	74.7% / 25.3%	15.1%
Global Emerging Markets Equity Index	3,291	28,143	98.6%	82.3% / 16.1%	8.3%
Dynamic Diversified Fund (Active)	4,919	56,426	99.1%	83.8% / 15.8%	10.5%

Below are some examples of L&G's engagements with companies over the year to 30 September 2020:

- Barclays: L&G voted in favour of a resolution approving Barclays' commitment in tackling climate change. L&G plan to continue to work closely with the Barclays board and management team in the development of their plans and targets.
- Plus500 Ltd: L&G voted against a special bonus payment to the company's CFO based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, LGIM also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.
- Olympus Corporation: L&G voted against the election of Director Yasuo Takeuchi, considering that Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. L&G opposed the election of this director as they consider it imperative that the boards of Japanese companies increase their diversity and in order to signal that the company needed to take action on this issue.