Mitchells & Butlers Pension Plan: Defined Contribution Section

Implementation Statement

Introduction

This Implementation Statement has been prepared by Mitchells & Butlers Pensions Limited ("the Trustee") and relates to the defined contribution (DC) section ("the DC Section") of Mitchells & Butlers Pension Plan ("the Plan"). It covers the Plan year 1 April 2020 to 31 March 2021 and provides information on:

- Any reviews of the Plan's Statement of Investment Principles ("the SIP") undertaken by the Trustee and any changes made to the DC Section of the SIP over the Plan year as a result of such reviews.
- The extent to which, in the opinion of the Trustee, the DC Section of the Plan's SIP has been followed during the year.
- A summary of the voting and engagement activity undertaken by the DC Section's pooled fund manager over the Plan year.

A copy of this Implementation Statement will be made available on the following website: www.mbplcpensions.com.

Delegation of responsibilities

To ensure that decisions on implementing the investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates certain responsibilities to the Joint DC Sub-Committee ("DCSC") and, in respect of the DC Section, its bundled pension provider Legal & General ("L&G").

- **DCSC:** assisting the Trustee with developing an appropriate investment strategy for the DC Section, the ongoing monitoring of the investment strategy and reviewing the activity and performance of L&G.
- **L&G:** the DC Section's Default Option is structured as a 'governed' investment solution which is designed and implemented by L&G. L&G is responsible for the appointment and removal of the underlying investment managers used through the Default Option as well as the ongoing relationships with the investment managers.

Review of, and changes to, the DC Section of the SIP

As at 1 April 2020, the version of the SIP in place was dated September 2019. There are two parts to the SIP, one covering the defined benefit (DB) Section and one covering the DC Section and this reflects the operational differences between the two sections of the Plan.

The DC Section of the SIP was reviewed once during the Plan year and a revised version was agreed by the Trustee in September 2020. The revisions included:

- The Trustee's policies in relation to stewardship, including how it monitors investee companies and the management of conflicts of interest.

- The Trustee's arrangements with its asset managers, including how the Trustee incentivises the asset managers to align their investment decisions with the Trustee's investment policies and how the Trustee evaluates the performance of the asset managers.

How the SIP has been followed over the year

In the Trustee's opinion, the SIP has been followed over the year in the following ways:

- **The DC Section continues to offer a suitable Default Option for members.** The DCSC, supported by the Trustee's professional advisers, completed a formal review of the Default Option in December 2020. This considered the membership profile of the DC Section and their potential needs and assessed the overall design of the Default Option. The review concluded that the Default Option remains suitable and no changes were made as a result of the review.

- **An appropriate range of self-select options is made available.** As part of the December 2020 review noted above, the DCSC considered the wider range of investment options provided through the DC Section. The review concluded that these remain appropriate and no changes were made over the Plan year.

- **Quarterly monitoring of the investment options.** The DCSC undertakes quarterly monitoring of the range of investment options offered through the DC Section using quarterly investment reports provided by the Trustee's professional advisers. The quarterly monitoring ensures that the investment options are meeting their stated objectives and no issues were identified over the Plan year.

- **Reviewing the investment managers' policies on responsible investing, stewardship and sustainability.** The DCSC, on behalf of the Trustee, has considered the Environmental, Social and Governance (ESG) policies of L&G as the pooled investment manager to the DC Section. This included a review on the degree to which ESG is integrated through the range of investment options provided through the DC Section. As a result of this assessment, the DCSC concluded that the policies of L&G are reasonable and were not out of line with the Trustee's own policies described in the SIP. As such, and following subsequent discussions with the Trustee, no immediate action was taken.

  It was noted, however, that further work would be needed in this area as the policies and practices of all parties (including the Trustee) continue to develop. As the bundled provider and pooled investment manager to the DC Section, the Trustee expects L&G to provide further information and reporting on its ESG policies, including regular reporting of activity in this area. The DCSC, in conjunction with the Trustee's professional advisers, will review this reporting and will include relevant information in subsequent year's Statements.

- **Member views.** In line with the policies outlined in the SIP, the Trustee did not incorporate member views into its ESG policy over the Plan year.

- **Communicating ESG and stewardship with DC Section members**. The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in the annual Implementation Statement, with this document representing the first of this kind. This document is a statutory report and will be produced on an annual basis alongside the Plan's Annual Reports and Accounts.

- **The costs and charges applied through the DC Section remain competitive.** The DCSC, supported by the Trustee's professional advisers, completes an annual assessment of the charges (Total Expense

Ratios) and transaction costs levied by L&G, which are benchmarked by the Trustee's professional advisers. Such costs are reported to members in the Chairman's Statement on DC governance (www.mbplcpensions.com/costs-and-charges/). Based on external advice, the Trustee believes that the charges and transaction costs applied to the DC Section's range of investment options are competitive, taking into account the size and investment strategy of the DC Section.

How voting and engagement policies have been followed

The DC Section invests in L&G's range of Target Date Funds (TDFs) which are managed exclusively by Legal & General Investment Management (LGIM). The TDFs use a blend of underlying pooled funds, also managed by LGIM, and target five year retirement windows (referred to as vintages). As pooled investment funds, the Trustee delegates responsibility for carrying out voting and engagement activities to LGIM.

The Trustee understands the importance of carrying out periodic reviews of the voting and engagement information of its investment managers to ensure they align with its own policies. The Trustee, together with its professional advisers, requested such information from L&G for the period 1 April 2020 to 31 March 2021 and this was provided on 21 June 2021. A review of the information was completed as part of the process of preparing this Statement.

Having reviewed the above in accordance with its policies, the Trustee is comfortable the actions of the fund manager are in alignment with the DC Section's stewardship policies.

Voting Data

Due to the composition of the TDFs, it is not uncommon for the allocation to the underlying funds to be consistent across a number of the TDF variants. For this reason, the voting information will also be the same. The following table provides details of the voting activity for each of the TDFs.

TDF variant	Workplace TDF	Annuity TDF / Cash TDF	Workplace TDF	Workplace TDF / Annuity TDF / Cash TDF	Workplace TDF / Annuity TDF
TDF date range	**2015 – 2020**	**2020 – 2030**	**2020 – 2030**	**2030 – 2040**	**2040 - 2070**
Structure	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour				
Number of company meetings the manager was eligible to vote at over the year	11,218	11,276	11,330	11,276	11,283
Number of resolutions the manager was eligible to vote on over the year	114,651	114,969	115,449	114,969	115,019
Percentage of resolutions the manager voted on	99.78%	99.77%	99.76%	99.77%	99.77%

TDF variant	Workplace TDF	Annuity TDF / Cash TDF	Workplace TDF	Workplace TDF / Annuity TDF / Cash TDF	Workplace TDF / Annuity TDF
TDF date range	**2015 – 2020**	**2020 – 2030**	**2020 – 2030**	**2030 – 2040**	**2040 - 2070**
Percentage of resolutions the manager abstained from	0.56%	0.56%	0.56%	0.56%	0.56%
Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on	81.74%	81.73%	81.72%	81.73%	81.73%
Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on	17.70%	17.71%	17.72%	17.71%	17.71%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0.20%	0.20%	0.20%	0.20%	0.20%

The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstentions as opposed to not returning a voting form or choosing to nominate a proxy.

There are no voting rights attached to the other assets held by the DC Section and therefore there is no voting information shown above for these assets.

Use of proxy voting services

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and LGIM does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. LGIM's Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports it receives from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Significant votes

For the first year of implementation statements we have delegated to the investment manager(s) to define what a "significant vote" is. LGIM is currently evolving its approach to provide clients with access to significant vote information, however at present LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM publicly discloses its vote instructions on its website at: https://vds.issgovernance.com/vds/#/MjU2NQ==/

As the TDFs use a common range of underlying funds, the significant votes data provided by LGIM was the same across each TDF variant. A total of 27 significant votes was included in the reporting by LGIM and it is not practical to include information on all votes in this Statement. As such, in the tables below the Trustee has reported a selection of these votes covering the broad spectrum of Environmental, Social and Governance considerations. This includes a vote in respect of Mitchell's & Butlers Plc, which the Trustee deems significant in the context of the Plan.

<table>
<tr><th></th><th>Vote 1: Qantas Airways Limited</th><th>Vote 2: Mitchells & Butlers</th><th>Vote 3: ExxonMobil</th></tr>
<tr><td>Date of vote</td><td>23 October 2020</td><td>11 March 2021</td><td>27 May 2020</td></tr>
<tr><td>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</td><td>Not provided</td><td>Not provided</td><td>Not provided</td></tr>
<tr><td>Summary of the resolution</td><td>Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.</td><td>Resolution 1: Authorise Issue of Equity in Connection with the Open Offer Resolution 2: Authorise Issue of Shares Pursuant to the Open Offer at a Discount to Middle Market Price Resolution 3: Authorise Implementation of Open Offer</td><td>Resolution 1.10 Elect Director Darren W. Woods</td></tr>
<tr><td>How the manager voted</td><td>Against resolution 3 and in favour of resolution 4</td><td>Against all three resolutions</td><td>Against</td></tr>
<tr><td>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</td><td>Given its engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee</td><td colspan="2">LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics</td></tr>
<tr><td>Outcome of the vote</td><td>About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in its view</td><td>Only 6.8% of shareholders opposed these resolutions</td><td>93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)</td></tr>
<tr><td>Implications of the outcome</td><td>LGIM will continue to engage with the company</td><td>LGIM will continue to monitor the company closely</td><td>LGIM believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. Its voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.</td></tr>
<tr><td>Criteria on which the vote is considered “significant”</td><td>It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package</td><td>LGIM has taken the rare step of opposing a capital raise given its serious concerns for minority shareholders' rights</td><td>LGIM voted against the chair of the board as part of its 'Climate Impact Pledge' escalation sanction.</td></tr>
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	Vote 4: Proctor & Gamble Company (P&G)	Vote 5: Tyson Foods	Vote 6: Toshiba Corp.
Date of vote	13 October 2020	11 February 2021	18 March 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided	Not provided	Not provided
Summary of the resolution	Resolution 5: Report on effort to eliminate deforestation.	Resolution 4: Report on Human Rights Due Diligence	Resolution 1: Appoint Three Individuals to Investigate Status of Operations and Property of the Company Resolution 2: Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies
How the manager voted	In favour	Against	In favour of all
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics		
Outcome of the vote	The resolution received the support of 67.68% of shareholders (including LGIM)	The resolution failed to get a majority support as only 17% of shareholders supported it	Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability
Implications of the outcome	LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement	LGIM will continue to monitor the company	LGIM will continue to monitor the company
Criteria on which the vote is considered "significant"	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.	LGIM's clients were particularly interested in the outcome of this vote.	The vote was high profile and controversial.

Engagement activity

LGIM is not currently able to supply engagement information at a fund level and instead publishes firm level data, on a quarterly basis, via its ESG Impact Reports. These reports can be found on the following website: www.lgim.com/uk/ad/responsible-investing/.

Below we provide an extract from LGIM's Q1 2021 ESG Impact Report which demonstrates some of its notable engagement activity over the Plan year. LGIM believes climate change carries significant financial risks and opportunities and these examples focus primarily on engagement with high-carbon industries

Net Zero engagement

BP, with whom LGIM co-leads engagements under the multi-trillion-dollar Climate Action 100+ investor coalition, has made a series of new announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with **Volkswagen** (on fast electric vehicle charging) and **Qantas Airways** (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. LGIM's recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy.

BP had previously announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050. In an update on their net-zero strategies, **Royal Dutch Shell** has also announced it expects its overall carbon emissions to have peaked in 2019, with oil production expected to decline every year from now on.

Fellow oil major **Total** has pledged that all future bond issuance from the company will be linked to externally audited climate targets, with the company paying higher interest rates if they are not met. LGIM will continue to engage with oil and gas companies around the strength of their targets and the credibility of their planning assumptions in this area. LGIM also recognises the importance of policy in creating the right incentives for companies. With methane emissions in 2020 seeing the highest increase in four decades, LGIM and other investors managing over £30 trillion in assets have called on the EU to set standards for this aggressive planet-warming gas.

In a different part of the natural resources industry, LGIM has ongoing engagements with mining companies not just on their environmental strategies, but also the 'S' and 'G' of ESG. Embroiled in a scandal after the destruction of a 46,000- year old heritage site in Western Australia, LGIM and other investors have continued to press **Rio Tinto** for more accountability, believing that the initial responses (and the board oversight) were inadequate. After the departure of three directors (including the CEO) were announced last year, the chairman has declared he will now step down.

LGIM has opposed the pay package at the 2021 AGM, and will continue to engage with the company on how it plans to reform its culture and renew its social licence to operate, as well as on other governance concerns. In particular, LGIM remain concerned with the treatment of minority investors at its majority-owned subsidiary, **Turquoise Hill**.

On a more positive note, there are a growing number of extractive companies – including **Rio Tinto, Glencore, Woodside Petroleum, Santos, Total** and **Royal Dutch Shell** – announcing they will be offering shareholders an advisory vote on their climate strategies. LGIM believes this is well-aligned with its existing engagement on climate, and will support all 'say on climate' resolutions which it believes are crucial to the business.