Mitchells & Butlers Pension Plan: Defined Contribution Section

Implementation Statement for the Plan year ending 31 March 2022

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 2021 to 31 March 2022 and provides information on:

- The extent to which the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the Plan year.
- A summary of the voting activity undertaken by the DC Section's pooled fund manager on behalf of the Trustee over the Plan year, including information regarding the most significant votes.
- A summary of changes (if any) to the Statement of Investment Principles (SIP) over the Plan year.
- The extent to which, in the opinion of the Trustee, the DC Section of the Plan's SIP has been followed during the Plan year.

A copy of this Implementation Statement will be made available on the following website:
www.mbplcpensions.com/about-our-plans/.

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:** assists 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 by the Default Option as well as the ongoing relationships with the investment managers.

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

Over the Plan year, the version of the SIP in place was dated September 2020. The Trustee did not undertake a review of the SIP over the Plan year nor were any changes made.

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:

- **Review of the Default Option.** Over the Plan year, L&G announced that it would be making some changes to the Default Option throughout 2022. These changes included an increase to the equity allocation for members a long way from retirement and an allocation to a short duration private credit fund for members close to retirement. The increased equity allocation would be made through the inclusion of L&G managed Future World Equity Funds, which are designed to capture Environmental, Social and Governance (ESG) factors as part of the investment management process. The allocation to short duration private credit would be made through a newly created Short-Duration Alternative Finance Fund.

The DCSC, supported by the Trustee's professional advisers, considered the appropriateness of these changes and concluded that overall, they were positive. In particular, the DCSC noted that the increased equity allocation for younger members provided the prospect of enhanced returns, whilst also improving the ESG metrics of the Default Option.

The DCSC will continue to monitor developments with the Default Option and L&G's progress with implementing the above changes. The next formal review of the Default Option is due to be completed by December 2023.

- **An appropriate range of self-select options.** The last formal review of the range of self-select options was completed in December 2020. This review concluded that the range remains appropriate and no changes were made. The next formal review of the range of self-select options is due to be completed by December 2023. On an ongoing basis the DCSC, together with the Trustee's professional advisers, informally consider whether changes to the self-select range are needed.

- **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 compares performance against relevant long-term inflation measures. 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, considers the responsible investment policies and practices of L&G, as the pooled investment manager to the DC Section. This includes the degree to which ESG factors are integrated through the range of investment options provided through the DC Section.

  Over the Plan year, the DCSC met with L&G on two separate occasions to discuss its progress towards integrating ESG factors into the DC Section's investment options, its stewardship processes and its Net Zero targets. The DCSC were encouraged by these discussions noting in particular L&G's well-structured approach to stewardship and engagement, its comprehensive and robust ESG assessment process and its progress towards reaching its Net-Zero targets for the DC Section's investment range. In addition, the DCSC remained of the view that the policies of L&G are reasonable and are not out of line with the Trustee's own policies described in the SIP.

- **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. This document is a statutory report and will be produced on an annual basis for inclusion in the Plan's Annual Reports and Accounts, as well as being made available online.

- **Reviewing the costs and charges applied through the DC Section.** The DCSC, supported by the Trustee's professional advisers, complete 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.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force on 1 April 2021 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in September 2020 and has been made available online here: www.mbplcpensions.com/about-our-plans/. There were no changes made to the Trustee's stewardship policy over the Plan year.

The Trustee delegates the exercise of rights attaching to the DC Section's investments, including voting rights and undertaking engagement activities, to the Plan's investment manager.

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. Training on ESG matters has been provided at Trustee and DCSC meetings to ensure a good understanding how ESG factors including climate change could impact the Plan and its investments.

The DCSC, on behalf of the Trustee, reviewed the stewardship and engagement activities undertaken by LGIM at the November DCSC meeting and were satisfied that LGIM's policies were reasonable and no remedial action was required at that time. Annually the Trustee receives information on voting and engagement activity from LGIM and this is reviewed by the DCSC and the Trustee's investment advisers. The most recent information was received on 17 June 2022 and covered the period 1 April 2021 to 31 March 2022. 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 Trustee's own policies.

Voting Data

Due to the composition of the TDFs, it is not uncommon for the allocation to the underlying investment funds to be consistent across a number of the TDF variants (vintages). For this reason, the voting information will also be the same. The following table provides details of the voting activity for each of the DC Section's TDF variants, with the information grouped together where the underlying investment funds are the same:

TDF variant	Workplace TDF	Cash TDF	Annuity TDF	Workplace TDF	Workplace TDF / Annuity TDF	Workplace TDF / Annuity TDF
TDF date range	**2015 – 2020**	**2020 – 2030**	**2020 – 2030**	**2020 – 2030**	**2030 – 2040**	**2040 - 2075**
Structure	Pooled	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	10,489	8,294	8,299	10,566	8,294	8,707
Number of resolutions the manager was eligible to vote on over the year	105,734	84,986	84,995	106,178	84,986	88,597
Percentage of resolutions the manager voted on	99.76%	99.72%	99.72%	99.76%	99.72%	99.73%
Percentage of resolutions the manager abstained from	0.77%	0.53%	0.53%	0.77%	0.53%	0.65%
Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on	79.95%	79.10%	79.11%	79.90%	79.10%	79.01%
Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on	19.27%	20.36%	20.36%	19.33%	20.36%	20.34%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	11.40%	12.85%	12.85%	11.43%	12.85%	12.72%

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. 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

As with last year, for this year's implementation statements the Trustee has delegated to the investment manager(s) to define what a "significant vote" is. LGIM is continuing to evolve 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==/

Significant vote information

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 c.582 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 6 of these votes covering the broad spectrum of Environmental, Social and Governance considerations.

	Vote 1: Apple Inc.	Vote 2: Amazon.com, Inc.	Vote 3: Mitsubishi UFJ Financial Group, Inc.
Date of vote	4 March 2022	26 May 2021	29 June 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	TDF variant dependent	TDF variant dependent	TDF variant dependent
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Resolution 1a Elect Director Jeffrey P. Bezos	Resolution 3 Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement
How the manager voted	For	Against	For
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 on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as it considers these issues to be a material risk to companies.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM are voting against all combined board chair/CEO roles.	Climate change: A vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively notes the company's recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and they believe the shareholder proposal provides a good directional push.
Outcome of the vote	**53.6%** of shareholders supported the resolution.	**95.1%** of shareholders supported the resolution.	**22.7%** of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	LGIM will continue to engage on this important ESG issue.
Criteria on which the vote is considered "significant"	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM views climate change as a financially material issue for investors, with implications for the assets it manages on their behalf. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

	Vote 4: Industrial & Commercial Bank of China Limited	Vote 5: McDonald's Corporation	Vote 6: Volkswagen AG
Date of vote	21 June 2021	20 May 2021	22 July 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	TDF variant dependent	TDF variant dependent	TDF variant dependent
Summary of the resolution	Resolution 1 Approve Work Report of the Board of Directors	Resolution 5 Report on Antibiotics and Public Health Costs	Resolution 3.1 to 4.21 - Approve Discharge of Management Board and Supervisory Board members
How the manager voted	Against	LGIM voted in favour of the shareholder resolution (against management).	Against
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 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.		
Rationale for the voting decision	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure. Note that this company was also divested by LGIM across its Future World range of funds.	LGIM voted in favour as it believes the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. LGIM believes that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, LGIM believes AMR is a financially material issue for the company and other stakeholders, and they want to signal the importance of this topic to the company's board of directors.	Discharge of responsibility management board and supervisory board. A vote against the annual formal discharge of the management board and supervisory board is applied. Whilst LGIM notes the progress made by the company in its strategy towards the transition to a lower emission world, they remain concerned regarding the handling of the diesel emissions scandal of 2015 by the management and supervisory boards and the overall governance structure of the company. In particular, LGIM notes a lack of transparency regarding the handling of the crisis, including any lessons learnt by the boards, how sufficient internal control mechanisms have been put in place, and any progress made around improvement of corporate culture.
Outcome of the vote	**99.8%** of shareholder supported the resolution.	**11.3%** of shareholders supported the resolution.	**99.5%** of shareholders supported the resolution.

Implications of the outcome	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to monitor and engage with the company.
Criteria on which the vote is considered "significant"	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.	LGIM considers this vote to be significant as LGIM took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring its vote intention is an important tool for LGIM's engagement activities. LGIM decide to pre-declare its vote intention for a number of reasons, including as part of its escalation strategy, where it consider the vote to be contentious, or as part of a specific engagement program.	A vote against the discharge of responsibility of both the management and supervisory boards is a rare step in LGIM's escalation policy.

Engagement activity

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

Over the Plan year, LGIM engaged with investee companies across a wide spectrum of issues and these engagements have be broken down into the following broad categories.

Environmental	Social	Governance	Other
340	271	332	97

(Source: L&G's ESG Impact Reports Q2 2021 – Q1 2022)

Of these engagements, the most frequent topics covered the following:

- Climate
- Remuneration
- Board composition

Examples relating to LGIM's engagement activity are provided in the below extracts which have been taken from its Q1 2022 ESG Impact Report.

E – Brazil: protecting the Amazon

The destructive impact of deforestation has become increasingly prominent over recent years – tragic forest fires, particularly on the East Coast of the US and in Australia have focused attention on the devastating environmental impacts of the loss of forests.

Where commodity-driven deforestation is concerned, LGIM know this must end in order to tackle the dual threat of climate change and biodiversity loss. Companies are increasingly being challenged and held to account for their own policies and programmes to tackle deforestation in direct operations and supply chains, and through financing and investment.

However, deforestation is not just a company issue: national policymakers have a significant role to play through the development and enforcement of appropriate regulation. As part of its ongoing work as a member of the Investors Policy Dialogue on Deforestation, LGIM recently joined a meeting with the Brazilian Environment Ministry where they received an update on current and upcoming projects and plans to tackle deforestation in Brazil. LGIM were encouraged to hear about the launch of a special environmental task force, 'Guardians of the Biome', with 10 physical bases within the Amazon basin, where 1,200 agents and officials will work in partnership with the state government.

S - AMR by the GRAM!

Antimicrobial resistance (AMR) is one of LGIM's global engagement themes: The World Health Organisation (WHO) describes AMR as one of the top 10 global public health threats facing humanity today, and as a global investor across multiple asset classes, LGIM is exposed via multiple sectors from healthcare and pharmaceuticals, to travel and leisure.

As part of their ongoing research and engagement in this field, LGIM joined the official launch of the findings of the Global Research on Antimicrobial Resistance Findings group ('GRAM'), (Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis) which was published in The Lancet medical journal in January 2022. Collaborations with experts are a crucial part of LGIM's engagement activities: they help to build knowledge and a network of supporters, and will help LGIM have more in-depth and detailed conversations with companies and policymakers to identify potential areas of risk, and to formulate solutions.

AMR will continue to be an area of focus for LGIM throughout 2022 and beyond. Like all of LGIM's global engagement themes, it is very much a long-term issue but as has become so clear with topics such as climate change, taking early action on long-term problems is vital for creating a sustainable future.

G – Why might LGIM consider filing a shareholder resolution?

LGIM's engagement process with companies is structured: they have a number of different 'levers' they can pull to escalate an issue – depending on the company and depending on the topic, LGIM will use a different selection. Filing such a resolution puts pressure on a company and encourages them to discuss and resolve issues with LGIM, and to propose and take actions, in order to avoid the topics raised being included on their AGM agenda and potentially being put to a shareholder vote.

LGIM are approached on a regular basis by shareholder organisations about filing shareholder resolutions on a range of topics – they consider each of these requests on an individual basis, comparing the resolution demands against their own views and policies, and considering the alignment with their global themes and engagement programmes. As a consequence, LGIM do not agree to co-file every resolution that comes their way, but where they have filed or collaborated on select proposals, LGIM have found that they have been an effective means of escalation. This engagement demonstrates the value of working individually with companies and identifying when escalation will help achieve a result.