Mitchells & Butlers Pension Plan – DB Section Implementation Statement for the year ended 31 March 2022

Introduction

This Implementation Statement has been prepared by Mitchells & Butlers Pensions Limited ("the Trustee") and relates to the Defined Benefit (DB) Section ("the DB Section") of the Mitchells & Butlers Pension Plan ("the Plan") for the year ended 31 March 2022 and provides information on:

- Any reviews of the Plan's Statement of Investment Principles ("SIP") undertaken by the Trustee and any changes made to the DB 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 DB Section of the Plan's SIP has been followed during the year.

In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year on behalf of the Trustee by Investment Managers.

A copy of this Implementation Statement will be made available online.

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 Mitchells & Butlers Common Investment Fund Trustee ("the CIF Trustee"), the Investment Consultant, the Investment Managers, the Custodian (and sub-Custodians where relevant for pooled investment vehicles) and the Performance Measurer. Further detail on the delegation of responsibilities by the Trustee can be found in the SIP which is available online.

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

As at 31 March 2022, the version of the SIP in place was dated February 2022. There are two parts to the SIP, covering the DB Section and the DC Section. This reflects the operational differences between the two sections of the Plan.

The DB Section of the SIP was reviewed once during the Plan year in line with best practice. Following SIP review, the Trustee agreed no changes were required, only a small alteration removing 'Property' within '3.4.7 Investment Risk – identified sources' section to reflect that it is no longer relevant to the Plan. The SIP is expected to be revised post-accounting year end following the implementation of the Enhanced Yielding Credit mandate.

How the SIP has been followed during the year

During the reporting year the Trustee is satisfied that they followed the investment policies within the DB Section in the following ways:

- Kinds of investments to be held. The Trustee's policy is to acquire assets of appropriate liquidity which will generate income and capital growth. The funds held by the DB Section incorporate assets of appropriate income and liquidity to meet the Trustee's overall investment objectives and to aim to ensure members' benefits can be paid as they fall due.
- Balance between different investments. The Trustee's policy is to invest in a diversified portfolio of return seeking and liability matching assets in line with the benchmark allocation specified in the SIP. The funds held by the DB Section at year end incorporate assets held with the objective of outperforming the Plan's liabilities (e.g. Real Estate and Infrastructure Debt, Secured Finance, Absolute Return Equities and Bonds, Asset-Backed Securities) and liability matching assets (e.g. LDI and Buy & Maintain Credit). As part of the Mitchells and Butlers Executive Pension Plan's purchase of an insurance policy in the form of a bulk-annuity, the Trustee agreed to exchange the Executive Plan's

illiquid holdings for cash with the Main Plan. This includes holdings in the following funds: M&G Real Estate Debt Finance IV, M&G Senior Commercial Mortgage Loan Fund I, Macquarie Infrastructure Debt Fund II, Allianz UK Infrastructure Debt Fund, AXA Global Secured Assets Fund I and Ares Secure Income Fund. Using a pricing point of 30 June 2021, the illiquid holdings were transferred to the Main Plan for cash in Q3 2021. In addition to taking on the illiquid holdings, the Trustee reviewed the investment strategy during the end of the reporting year and made decision to de-risk the portfolio. This is to be achieved by fully disinvesting from the Absolute Return Equity funds with Cantillon and Ruffer and the Absolute Return Bond funds with Insight and Wellington. In the interim, the proceeds are to be invested into the Insight LDI portfolio. Over the long term, the proceeds will be invested into the Enhanced Yielding Credit Mandate composed of Short Duration and Multi-Sector Credit funds held with BlackRock increasing the Plan's allocation to contractual income generating assets. The transition to this derisked strategy is to take place post reporting year end.

- Risks (measurement and management). The Trustee receives strategic investment advice from the Investment Consultant that includes risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered. Such risks are also measured on a quarterly basis through the Quarterly Investment Monitoring Report ("QIMR"). The Trustee considers each Investment Manager's role and approach to managing risk as part of the ongoing monitoring of such managers, and particularly when selecting a new Investment Manager.
- Meeting the expected level of investment return. The Trustee's policy is to invest in a mixture of assets such that future investment returns will at least meet the rate of return underlying the recovery plan. This return, along with Sponsor contributions, is expected to cover the cost of benefits the DB Section provides.
- Realisation of investments. The Trustee recognises that assets may need to be realised to meet the Plan's obligations and will ensure that an appropriate amount of readily realisable assets are held at all times. The Trustee maintains a proportion of its investments in sufficiently liquid investments and investments which distribute income in order to meet short term benefit payments as required. Advice on the realisation of investments to meet benefit payments is provided by the Investment Consultant as and when required. The decision over which specific underlying investments will be realised within a mandate is delegated to the Investment Manager.
- Ongoing governance of the Plan's investment strategy. The CIF Trustee, on behalf of the Trustee, considers investment issues in detail at CIF Trustee meetings. The CIF Trustee receives a QIMR from the Investment Consultant which analyses performance over the last quarter, 1 Year and 3 Year time periods (based on information provided by the Custodian and Performance Measurer). The CIF Trustee, with the assistance of the Investment Consultant, monitored the processes and operational behaviour of the Investment Managers throughout the reporting year, to ensure they remained appropriate and in line with the Trustee's requirements.
- ESG (including climate change). The Trustee's policy is to delegate the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's Investment Managers. The Trustee updated its policy in relation to ESG and voting issues in August 2020. The Trustee monitors how ESG and climate change considerations are integrated within the investment processes adopted by its Investment Managers and considers these issues as part of the criteria when appointing new Investment Managers. The Trustee has set the Investment Consultant the objective of ensuring that, over time, selected managers reflect the Trustee's views on ESG (including climate change) and stewardship.
- Non-financial matters. The Trustee's policy is to act in the best interests of the beneficiaries of the Plan when selecting, retaining or realising investments. It has neither sought nor taken into account beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues. The Trustee seeks professional advice in relation to the management of the assets of the Plan to ensure that the decisions are made in the best interests of Plan's beneficiaries.
- Voting rights. The Trustee has delegated responsibility for the exercise of rights attached to the Plan's investments to the Investment Managers. The Trustee is satisfied that the Investment Managers' policies on corporate governance and exercising of voting rights reflect the Trustee's policies. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee at least annually and further detail is contained below on these significant votes.

- Stewardship. The Trustee encourages Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments. The Trustee monitors how stewardship is integrated within the investment processes adopted by the Investment Managers and considers this when appointing new Investment Managers. The Trustee is satisfied that stewardship policies were appropriately considered as part of the due diligence process for the appointment of BlackRock during the period.
- Arrangements with Investment Managers. The Trustee, with the assistance of the Investment Consultant, monitors the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in the SIP. The Trustee is a long term investor and is not seeking to change investment arrangements on a frequent basis unless there is a strategic change to the investment strategy that no longer requires exposure to a particular asset class or manager. The length of the Investment Manager appointment also depends on the fund's structure (open or closed-ended). Once this lifetime of a close-ended fund is completed the Trustee will decide an appropriate investment for the realised capital that aligns with the long term goals of the overall Plan strategy at that time.
- Portfolio turnover costs. The Trustee does not currently actively monitor portfolio turnover costs across the whole portfolio, but Investment Manager performance is generally reported on a net of fees and costs basis. The Trustee incentivises managers in this way to keep portfolio turnover costs to minimum required to meet and exceed their objectives. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.

Manager selection exercises

One of the main ways in which the Trustee's policies can be expressed is via Investment Manager selection exercises. In particular, the Trustee seeks advice from the Investment Consultant on the extent to which its views on ESG and climate change risks can be taken into account during these selection exercises.

During the reporting period, no such manager selection exercises were completed.

The Trustee acknowledges that they have greater ability to integrate their own policies into the Plan's investment strategy through segregated investments (in particular depending on the extent to which ESG considerations can be integrated to the management of a specific asset class). The Trustee also acknowledges that they have less ability to do so where pooled investment vehicles are selected but that the Trustee does have the ability to assess the ESG capabilities of each new Investment Manager for pooled investment vehicles or to terminate an investment into an existing pooled investment vehicle if it is deemed to no longer align to the Trustee's own ESG policies.

Each new investment was recommended by the Investment Consultant, using various criteria. One of the criteria - in acknowledgement of the Trustee's updated ESG policy - was that the Investment Manager had been found to have a credible ESG capability, with decisions linked to that capability applied to the management of assets to an acceptable degree. This was the case for both pooled investment vehicles selected during the period.

Adherence to voting and engagement policies

As noted previously, the Trustee has delegated responsibility for the exercising of rights (including voting rights) attached to the Plan's investments to the Investment Managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

The main asset class where the Investment Managers exercise voting rights on behalf of the Trustee is equities. During the period, the Plan had implicit allocations to public equities, in UK and overseas markets, through its allocation to the Absolute Return (equity based) investments.

The Trustee understands the importance of carrying out a periodic review of the voting and engagement information of its Investment Managers to ensure they align with its own policies. The Trustee, with the assistance of the Investment Consultant, requested such information from the Investment Managers for the period 1 April 2022 to 31 March 2022.

During the period the Trustee did not use the direct services of a proxy voting manager but accepts that Investment Managers reserve the right to use proxy managers for the purpose of obtaining third party research or proxy-related services (including the provision of recommendations) that may influence their voting activity on behalf of the Trustee.

Manager	Ruffer LLP
Fund name	Absolute Return (equity based)
Structure	Segregated investment
Number of company meetings the manager was eligible to vote at over the year	44
Number of resolutions the manager was eligible to vote on over the year	733
Percentage of resolutions the manager voted on	87%
Percentage of resolutions the manager abstained from	1%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	93%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	6%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	5%
Manager's policy on consulting with clients before voting	
Ruffer, as a dicretionary Investment Manager, does not have a formal policy on consulting with clients before voting. However, Ruffer can accommodate client voting instructions for specific areas of concerns or companies where feasible.	
How has the manager made use of the proxy voting services	
Ruffer's proxy voting advisor is Institutional Shareholder Services ("ISS"). They have developed their own internal voting guidelines, however Ruffer take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer are cognisant of proxy advisers' voting recommendations, they do not delegate or outsource their stewardship activities when deciding how to vote on their clients' shares. Each research analyst, supported by Ruffer's responsible investment team, reviews the relevant issues on a case-by-case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.	
What process manager follows for determining "most significant" votes	
Ruffer have defined 'significant votes' as those that they think will be of particular interest to their clients. In most cases, these are when the clients form part of continuing engagement with the company and/or Ruffer have held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and Ruffer's internal voting guidelines.	

Ruffer LLP Significant votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Royal Dutch Shell	Aena	Ambev	NEC	American Express
Date of Vote	18/05/2021	27/04/2021	29/04/2021	22/06/2021	04/05/2021

Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.5%	0.54%	0.71%	0.60%	0.76%
Summary of the resolution	Vote on management resolution relating to the company's climate transition plan	Advisory Vote on Company's Climate Action Plan	Remuneration policies	Election of independent director	Election of independent director
How the manager voted	For	For	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	N/A – voted with management		Yes – Ruffer met with and informed the company of their voting intentions prior to the AGM		No
Implications of the outcome	Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives.	Management have committed to giving shareholders an annual vote on its climate transition plan, a significant step and Aena is the first company in its sector to do so. Ruffer will continue to support credible energy transition plans and initiatives.	Ruffer will continue to vote against remuneration policies that they deem to be inappropriate in the context of the circumstances of the company	Ruffer will continue to engage with the company on governance issues and feedback their concerns on the lack of independent representation on the Board.	Ruffer will continue to vote against the re-election of non-executive directors where they have concerns about their independence.
Criteria on which the vote is considered "significant"	The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.		The vote against management was in the context of engagement with the company and the result of extensive internal discussions.	Votes against the election of directors for material holdings.	

Manager	Cantillon Capital Management
Fund name	Global Equity Fund
Structure	Pooled investment vehicle
Number of company meetings the manager was eligible to vote at over the year	54

Number of resolutions the manager was eligible to vote on over the year	775
Percentage of resolutions the manager voted on	100%
Percentage of resolutions the manager abstained from	1%
Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on	94%
Percentage of resolutions voted *against* management	5%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	2%
Manager's policy on consulting with clients before voting	
Cantillon's policy is to vote proxies on a given issue in the same way for all of their clients. Cantillon will accept delegation from their clients to vote proxies on their behalf, and in doing so have a fiduciary responsibility to their clients to maximise the value of their investment. Cantillon take their voting responsibilities seriously and their investment professionals fully review every vote. Cantillon's investment professionals, as opposed to a proxy voting department or other operational group, are also best placed to judge whether proposals are in the best interests of shareholders. Cantillon do not consult with clients prior to voting.	
How has the manager made use of the proxy voting services	
Cantillon expect their analysts to be aware of the corporate structure and governance of their holdings. For example, excessive compensation schemes or significant changes to board structure or compliance functions, are all topics that need to be monitored carefully. Cantillon believe it is important for their analysts to review every proxy, ensuring that Cantillon are aware of all the issues arising in ballots, and helping them use the influence Cantillon have to impact the direction of the companies held in the portfolios. Analysts are also best placed to judge whether proposals are in the best interests of shareholders. Cantillon use research and proxy-related services provided by Institutional Shareholder Services ("ISS") to assist them with the mechanics of voting. Cantillon also have access to ISS's research, and they review their recommendations on how to vote. They use a shareholder maximisation philosophy for most of their clients (including Cantillon), which means they recommend the vote most likely to create value for equity holders in the long term. They also analyse the corporate governance implications of each proxy vote. In cases where ISS recommends a vote against management, Cantillon typically contact the company directly to better understand the issues. Cantillon do not automatically follow ISS's recommendations and may take a different view once Cantillon have considered all the issues. Cantillon abstain from voting if they are in the process of selling the stock during the period between the record date and the AGM / EGM meeting date. Other non-voting rights are considered by the analyst for the stock. Decisions are made based on what Cantillon believe to be the maximisation of long-term value. Cantillon also consider the risk parameters for the portfolio, where appropriate.	
What process manager follows for determining "most significant" votes	
For the purposes of their Annual Statement (2021) on the Implementation of Cantillon's Shareholder Engagement Policy, Cantillon reviewed all votes cast during 2021 to determine if any should be classed as significant, and therefore reported in the Statement. Cantillon used the following criteria to establish significance: 1) votes where the company scores very poorly (10) on ISS's Governance Quality Score and ISS has recommended voting against a management proposal; and 2) which, in the view of Cantillon's investment team, are significant.	

Cantillon Capital Management Significant Votes	VOTE 1	VOTE 2	VOTE 3
Company Name	Facebook (now Meta Platforms)	Alphabet	Alphabet

Date of Vote	26/05/2021	02/06/2021	02/06/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.0%	5.5%	5.5%
Summary of the resolution	Approve Non-Employee Director Compensation Policy	Approve Omnibus Stock Plan	Management Proposal to Elect Director
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No, although in many cases Cantillon do typically discuss such cases with company management		
Implications of the outcome	Both Meta Platforms and Alphabet have dual-class share structures, giving outsized voting power to founders and making it difficult for votes against management proposals to succeed.		
Criteria on which the vote is considered "significant"	The policy noted in the above "What process manager follows for determining "most significant" votes" section applies.		

The proportion of resolutions that were voted and abstained from may not sum to 100%. This can be due to how each 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 DB Section and therefore there is no voting information shown above for these assets.