

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') produced by the Trustee has been followed during the year to 5 April 2021. 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 Scheme

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

- To ensure that it can meet its obligation to the beneficiaries of the Scheme;
- To achieve a return on the total Scheme which is compatible with the level of risk considered appropriate, and supports the Scheme's ongoing funding assumptions; and
- To pay due regard to the Sponsoring Company's interest in the size and incidence of contribution payments.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in July 2020.

The following sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Voting and Engagement

The Trustee's policy is to give the appointed investment managers full discretion when evaluating ESG issues, including climate change considerations, and in exercising voting rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies and current best practice.

The Trustee looks to meet with each of its managers on a regular basis, at which point the Trustee may ask the investment managers to highlight key voting (where applicable) and engagement activity, and the impact on the portfolio. Voting is relevant to the Scheme's actively managed equity investments only. This specifically relates to the Baillie Gifford Diversified Growth Fund mandate (c. 6% of total Scheme assets), which invests in a diversified pool of assets including actively managed equities and, to a lesser extent, the Baillie Gifford Diversified Growth Fund mandate (c. 5% of total Scheme assets).

We have set out how the Trustee's engagement and voting policies were followed and implemented during the period.

Voting Activity

The Trustee has delegated their voting rights to the investment managers. Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustee does not use the direct services of a proxy voter.

Given the nature of the underlying assets, there was no voting activity undertaken within the following mandates during the year, which represented 89% of total assets:

- Schroders Collateral Pool, Synthetic Equity, LDI, and Securitised Credit mandates;
- Aberdeen Standard Long Lease Property Fund;
- Mercer Multi-Asset Credit Fund;
- Ares Secured Income Fund; and
- HSBC Securitised Bond Fund.

Voting Activity (continued)

Over the last 12 months, the key voting activity on behalf of the Trustee was as follows:

Baillie Gifford Worldwide Discovery Fund (6.0% of the total assets)

Key votes undertaken over the period are summarised below:

- There have been 111 votable meetings over the year, of which Baillie Gifford has voted in 108 of these meetings on behalf of the Trustee. In these meetings, there were a total of 942 votable proposals; and
- Baillie Gifford has participated in the vote for 897 of the 942 votable proposals. In around 94.3% of these votes for proposals, Baillie Gifford indicated their support to the companies' management, while voting against around 4.6% of the proposals.

Baillie Gifford Diversified Growth Fund (5.4% of the total assets)

Key votes undertaken over the period are summarised below:

- There have been 103 votable meetings over the year, of which Baillie Gifford voted in 95 of these meetings on behalf of the Trustee. In these meetings, there were a total of 925 votable proposals; and
- Baillie Gifford has participated in the vote for 888 of the 925 votable proposals. In around 93.6% of these votes for proposals, Baillie Gifford has indicated their support to the companies' management, while voting against around 5.2% of the proposals.

Engagement Activity

The Trustee has requested that the investment managers confirm compliance with the principles of the UK Stewardship Code.

All of the Scheme's investment managers have 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.

The Scheme's investment performance is reviewed by the Trustee on a quarterly basis and includes ratings (both general and ESG specific) from the investment consultant. The majority of the Scheme's managers remained generally highly rated during the period.

The Trustee's investment consultant has requested, on behalf of the Trustee, details of relevant engagement activity for the period from each of the Scheme's investment managers.

The Scheme's investment managers engaged with companies over the period on a wide range of different issues including ESG matters. 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 Scheme's investment managers provided examples of instances where they had engaged with companies they were invested in or 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 investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.

Looking forward

The Trustee recognises the importance of issues relating to ESG factors, stewardship and climate change, and will continue to consider these issues alongside the other risks that it monitors as part of its fiduciary duties to the Scheme.

This is an evolving area and the Trustee will continue to work with its investment consultant and investment managers to monitor developments and consider further ways of integrating ESG factors, stewardship and climate change.

The Trustee also expects all of its investment managers to continue to provide regular reporting on their stewardship activities and their engagement efforts on behalf of the Trustee.

The Money and Pensions Service

The Money and Pensions Service (formerly called the Single Financial Guidance Body) can give you information about matters relating to workplace and personal pensions. Its website is currently: <https://moneyandpensionservice.org.uk>

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and it can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

Pensions tracing

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone: 0800 731 0193

Pensions Ombudsman

Any concerns connected with the Scheme should be referred to The Trustee of Chivas Brothers Pension Scheme, c/o Mercer Limited at the address detailed on page 2, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the Trustee can consult with the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU
Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pension Protection Fund

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. The pension protection levy is one of the ways that the PPF funds the compensation payable to members of schemes that transfer to the PPF.