

Chivas Brothers Pension Scheme – 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 2023. 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 we can meet our 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.

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 relates, to an extent, to the Mercer Global Investments Europe ("MGIE") Diversified Growth Fund mandate (c. 5% of total Scheme assets), which invests in a diversified pool of assets including actively managed equities through a multi-manager approach.

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 95.0% 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;
- HSBC Securitised Bond Fund; and
- Aberdeen Deposits and Treasury Fund.

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

MGIE Diversified Growth Fund (5.0% of total assets)

The Scheme is invested in Mercer Funds, which are collective investment vehicles, managed by Mercer Global Investments Europe Limited (MGIE) in Dublin. As investment manager to the Mercer Funds, MGIE appoints third party investment managers to manage the Mercer Funds. The Fund has exposure to equity markets (via a multi-manager approach) and a summary of votes cast for the relevant funds is summarised below.

The Trustees’ investments take the form of shares or units in the Mercer Funds and they have the voting rights associated with those shares or units. In practice, therefore, given the Trustees’ investment arrangements, the Trustees’ voting rights are at the level of the Mercer Fund in which they invest and relate to any proposed changes to it (such as the Mercer Fund’s investment objectives) rather than the underlying investments held by the Mercer Funds. As such, no votes were cast by the Trustees (or by others on behalf of the Trustees) with respect to those underlying investments. Instead, any voting rights that do apply with respect to the underlying investments of the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE to execute on their behalf.

Fund Name	Total Proposals	Vote Decision					For/Against Mgmt	
		For	Against	Abstain	No action	Others	For	Against
Mercer Passive Emerging Markets Equity Fund	25,405	80%	17%	3%	0%	0%	82%	18%

Mercer Passive Global Listed Infrastructure UCITS	21,059	88%	9%	1%	1%	0%	91%	9%
Mercer Passive Global REITS UCITS CCF	2,982	79%	16%	0%	4%	0%	79%	21%
Mercer Passive Global Small Cap Equity UCITS CCF	45,904	84%	13%	0%	3%	1%	85%	15%
Mercer Passive Low Volatility Equity UCITS CCF	3,766	84%	14%	0%	2%	0%	83%	17%
Mercer Passive Sustainable Global Equity UCITS CCF	15,689	78%	19%	0%	2%	0%	78%	22%

Source: Glass Lewis voting system (via Mercer's custodian). Data to 31 March 2023 (closest date available).

Engagement Activity

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.