

Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Allied Domecq Pension Fund's stewardship policy for the year ending 31 March 2021.

Introduction

This is the Trustee's first annual statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

It sets out how the Trustee has complied with the Fund's stewardship policy during the Scheme year from 1 April 2020 to 31 March 2021.

With the exception of AVC investments, which are not covered in this Statement, the Fund no longer holds investments with attached voting rights. Therefore, this statement does not cover voting cast on the Trustee's behalf.

Overall, the Trustee is satisfied that:

- **The Fund's investments have been managed in accordance with the SIP; and**
- **The provisions in the SIP remain suitable for the Fund's members.**

Stewardship policy

The Trustee's stewardship policy sets out how the Trustee behaves as an active owner of the Fund's assets which includes the Trustee's approach to;

- the exercise of voting rights attached to assets, noting that the Fund does not currently hold assets with attached voting rights; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Trustee's stewardship policy is reviewed at least annually in conjunction with the Trustee's Statement of Investment Principles (SIP). The last review was completed in September 2020.

The Trustee's stewardship policy is summarised below. It is also set out in the Statement of Investment Principles, at <https://www.alliedomecqpensions.co.uk/assets/doc/SIP-September-20.pdf>

Policy wording

The Trustee has purchased a bulk purchase annuity with Rothesay Life, which represents c.93% of the Fund's assets. Rothesay Life is contractually bound to meet the liabilities covered by the bulk purchase annuity. The Trustee's focus in respect of the bulk purchase annuity is on monitoring the ongoing solvency of Rothesay Life, and the Trustee's stewardship policy is therefore focused on the Fund's residual assets.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Fund's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies, or assets, in which they invest, both by voting at shareholder meetings (if applicable) and engaging with relevant stakeholders on issues which affect financial performance.

Policy Implementation

The Trustee's own engagement activity is focused on dialogue with its investment managers, which is undertaken in conjunction with the Trustee's investment advisers. The Trustee periodically reviews its managers' responsible investment practices, including voting and engagement where relevant, via reporting provided by the Trustee's investment adviser.

Through the periodic review of its managers' responsible investment practices, the Trustee monitors the extent to which its stewardship policy is being implemented as intended. During the last review conducted in September 2020, the Trustee was comfortable that the Fund's assets were being managed in a manner consistent with its stewardship policy.

Investment Strategy (ex-AVCs)

The Fund purchased a bulk purchase annuity on 30 September 2019 that covered the majority of the liabilities of the Fund and involved a transfer of c93% of the Fund's assets.

In addition to the bulk purchase annuity, the Fund holds two residual illiquid assets that are redeeming and a small amount of hedging assets to cover liabilities not covered by the bulk purchase annuity.

Engagement and ESG activity

A summary of engagement activity provided by the Fund's investment managers is set out below. Insight has not been included in the below summary as they invest in pooled gilt and cash funds on behalf of the Fund.

Fund manager	Topics engaged on	Engagement outcome
Partners Group – private lending	Refinancing, restructuring – including direct consideration of ESG factors, close monitoring and dialogue following Covid-19 outbreak, change of company ownership	Renegotiation of loan terms aimed at maximising investor value, given underlying borrower circumstances. This was particularly in respect of Covid-19 related challenges. In one instance, this resulted in the transfer of ownership of the underlying business in return for new liquidity. Partners Group supported an amendment to credit documentation to create the first institutional term loan with interest payments linked to how much CO ₂ the borrower was able to save.
CBRE - property	Reporting to the Global ESG Benchmark for Real Assets ("GRESB"), climate-change related risk and Taskforce for Climate Related Disclosure ("TCFD") commitment, and fund extensions	Underlying managers agreed to complete the GRESB resilience module in 2020 and align themselves with the TCFD recommendations. Underlying fund vehicle lives were extended during the period, which CBRE had encouraged, on the basis that there remained considerable value to return to investors.

Review of policies

The Trustee has committed to reviewing the managers' responsible investment policies on an annual basis. This review considers managers' broader approach to responsible investment issues in addition to voting and engagement considerations.

The Trustee is satisfied that its stewardship policy remains suitable for the Fund.

Broader SIP adherence

With the assistance of its advisers, the Trustee has monitored the Fund's managers and their performance throughout the year.

In addition, during the year, the Trustee has carried out reviews of its custodian and a review of the Fund's managers' costs and charges.