

Stag Brewing Pension Plan – Annual Engagement Policy Implementation Statement

Introduction:

This statement sets out how, and the extent to which, the Trustee’s policy on Environmental, Social and Governance (“ESG”), Stewardship and Climate Change and the Investment Manager arrangements in the Statement of Investment Principles (“SIP”) has been followed during the year to 31 December 2021 in respect of the Defined Benefit assets of the Plan. 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 Plan:

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 Plan specified in the SIP are as follows:

- The long term (5 years plus) Investment Objective of the Plan is to be fully funded on a gilts only basis, as outlined in the April 2018 valuation, and to match interest rate and inflation risk with indexed linked gilts.
- The short term (0-5 years plus) Investment Objective of the Plan is to be fully funded using a mix of gilts, and corporate bonds, to remove any deficit.
- An underlying aim is that the investment plan is aligned with the 2018 valuation assumptions, such that, as far as possible, the investment plan takes no more risk than the implied risk in those assumptions.
- The April 2018 discount rate assumption was that the Plan would be 100% invested in gilts.
- Interest, and inflation, hedge ratios targets set at 90%.

Policy on ESG, Stewardship and Climate Change

The Plan’s SIP includes the Trustee’s policy on 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 August 2020.

In order to develop its policies, the Investment Committee undertook investment training provided by their investment consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. The training was provided in March 2021 (“Sustainability”), May 2021 (“Aiming for a net-zero target”) and November 2021 (“Taking action on climate risk”).

The following work was undertaken during the year to 31 December 2021 relating to the Trustee’s policy on ESG factors, stewardship and climate change, and sets out how the Trustee’s engagement and voting policies were followed and implemented during the year. The Trustee keeps the policies under regular review, with the SIP subject to review at least every three years.

Engagement Activity

The DB Section has one manager, Legal and General. The Trustee has satisfied itself that this manager pays suitable attention to ESG, stewardship and climate change matters. It has therefore delegated the management of all such activities to Legal and General.

The Plan's investment performance report is reviewed by the Investment Sub-Committee ("ISC") of the Trustee on a quarterly basis and includes ratings (both general and specific ESG) from the investment consultant. The Trustee acknowledges that managers in areas such as fixed income (particularly in relation to LDI) may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class, where it is harder to engage with the issuer of debt. The Trustee also receives Legal and General's quarterly and annual ESG reports.

Legal and General confirmed that they are signatories to the current UK Stewardship Code and are named as signatories on a list published by the Financial Reporting Council on 6 September 2021.

The Trustee's investment consultant has requested, on behalf of the Trustee, details of relevant engagement activity for the period from Legal and General.

The Plan's investment manager engaged with companies over the period on a wide range of different issues including ESG matters. This included for example, engaging with companies on corporate governance to ensure that companies were electing independent directors and remuneration structures remained appropriate. Legal and General 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 within their 2021 Active Ownership Report. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key resolutions at companies' Annual General Meetings.

The Trustee monitors these issues on a regular basis and documents the position at least annually, through consideration of Mercer's ESG ratings for Legal and General and through meetings with Legal and General.

Voting Activity

The Trustee has delegated their voting rights to Legal and General, the investment manager.

Legal and General provides voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy. In practice, this has little current relevance given that the existing bond-based investment strategy.

Only in exceptional circumstances do bondholders have voting rights, and Legal and General do not currently produce voting summary reports for fixed income asset classes. The Trustee notes that voting opportunities primarily arise within equities, and the Plan does not hold equities, convertible bonds or bonds with equity-like or equity conversion features.