

## Implementation Statement

**Welcome to the Trustees' Statement of how they implemented the policies and practices in the Scheme's Statement of Investment Principles during the year ending 05 April 2021**

### **Why do the Scheme's investments matter to me?**

The A.G. Barr p.l.c. (2005) Defined Contribution Scheme provides you with benefits on a defined contribution ("DC") basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds where your savings are invested grow over the years.

### **What is the Statement of Investment Principles ('SIP')?**

The SIP sets out the investment principles and practices the Trustees follow when governing the Scheme's investments. It describes the rationale for the investment options which you can choose (including the default arrangement if you don't make a choice), explains the risks and expected returns of the funds used and the Trustees' approach to responsible investing (including climate change).

The last review of the Scheme's SIP was completed on 16 July 2020 and the next review will take place no later than July 2023.

The following changes were made to the SIP during the last year:

- How the Trustees take account of 'financially material considerations' from a strategic, structural and investment manager selection perspective. 'Financially material considerations' includes, but is not limited, to Environmental, Social and Governance (ESG) factors. Climate change is an issue singled out for attention;
- The extent to which any non-financial matters are considered;
- The Trustees' approach to stewardship activities for the assets held, including how they engage with investment managers, delegation of voting rights and the monitoring process carried out by the Trustees;

If you want to find out more, you can find a copy of the Scheme's SIP (and the Scheme's Chairs Statement) at <https://www.agbarr.co.uk/pension-information/>

### **What is this Implementation Statement for?**

Each year from 2021 the Trustees are required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP during the last year.

**Overall, the Trustees are satisfied that:**

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

### How the Scheme's investments are governed

The Trustees have overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

W R G Barr resigned as Chair of the board of Trustees on 26 May 2020 and A C Martin, an independent Trustee, was appointed as Chair on the same day.

S Laurence was re-appointed on 4 October 2017 for a term of 5 years following the expiration of his previous term and a MNT nomination exercise. Following a nomination exercise, S Young was nominated and appointed on 10 June 2019 to serve a 5 year term but resigned as a MNT on 30 September 2020. MNTs may be removed before the end of their term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be active members of the Scheme.

The Trustees have delegated day-to-day investment decisions, such as which investments to buy and sell, to the fund managers.

The Trustees undertook the following during the last year to ensure that their knowledge of investment matters remains up to date:

Date	Topic	Aim	Trainer
May 2020	COVID pandemic – impact on the Scheme and Trustee functions	Ensure Trustees' knowledge is up to date	Hymans Robertson
July 2020	"Responsible Investment " - new regulatory requirements and updates to SIPs	Ensure Trustees' knowledge is up to date	Hymans Robertson
July 2020	Objectives for investment consultants – new CMA order – key metrics for assessment	Ensure Trustees' knowledge is up to date	Hymans Robertson

The Trustees monitor how well their investment advisers meet the objectives agreed with them. During the last year the investment advisers agreed the following objectives with the Trustees:

- Set appropriate default fund
- Arrange and monitor appropriate self-select DC and AVC investment options

- Keep the Trustees up to date and improve trustee knowledge and understanding.

**The Trustees are satisfied that during the last year:**

- **The Scheme's DC governance structure was appropriate;**
- **The Trustees have maintained their understanding of investment matters; and**
- **Their investment advisers met the agreed objectives.**

### **How the default arrangement and other investment options are managed**

The objectives and rationale are set out in the SIP on pages 3 to 4 for the default arrangement and for the other investment options on pages 5 to 6.

The Trustees have carried out their annual high-level review of the default arrangement and other investment options to ensure they remain suitable for most members. This involved:

- Ensuring that the default arrangement complies with the charge cap;
- Monitoring the investment performance of each fund;
- Monitoring the turnover of the assets in which each fund is invested;
- Considering whether the funds still meet the investment objectives the Trustees have set for the default arrangement and other investment options; and
- Checking whether there have been any significant changes in the Scheme's membership, members' choices of investment options and members' choices of benefits when they retire.

**The Trustees are satisfied that the default arrangement remains suitable for most members**  
**The Trustees are satisfied that the other investment options remain suitable for members.**

### **Other default arrangements**

The Scheme has a legacy default arrangement which is closed to new members. The Trustees have carried out their review of the legacy default arrangement to ensure it remains suitable for the group of members using it.

The Trustees are satisfied that the legacy default arrangement remains suitable for those members.

### **The Trustees' investment beliefs**

The Trustees have developed a set of investment beliefs which are set out in the SIP on page 7 which they use as a guide when making investment decisions.

During the last year the Trustees, with the help of their investment adviser, reviewed their investment beliefs in October 2020.

**There have been no changes to these beliefs in the last year.**

### The expected risks and returns on your savings in the DC Scheme

The investment risks relating to members' DC benefits are described in the SIP on pages 7 to 9 and the expected returns from each type of investment used by the Scheme are set out in the SIP on page 9 and 10.

**The Trustees believe that the main investment risks members face described in the SIP have not changed materially over the last year.**

**The Trustees are satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks that members face.**

The Trustees' views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) for the Scheme's lifestyle options (which gradually change the funds in which your savings are invested as you approach retirement).

### Ability to invest / disinvest promptly

It's important that your contributions can be invested promptly in the default arrangement or the investment options you have chosen and that your investments can be sold promptly when you want to change where they

**The Trustees views on the long-term mix of investments for the Scheme's lifestyle options including the default arrangement did not change during the last year.**

are invested, transfer your pension pot to another scheme or your benefits are due to be paid out when you retire.

**The Trustees are satisfied that money can be invested in and taken out of the Scheme's funds without delay as set out in the SIP.**

### Changes in where funds are invested

The Trustees monitor the volume of buying and selling of the assets and the nature of those assets in which each fund is invested that is carried out by the funds' managers.

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover or the time the fund invests in an asset might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustees.

**The Trustees are satisfied that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives.**

### Security of your savings in the Scheme

In addition to the normal investment risks faced investing in the funds used by the Scheme, the security of your savings in the Scheme depend upon:

- The financial strength of the fund managers used by the Scheme; and
- The legal structure of the funds the Scheme invests in.

The financial strength of the fund managers has a bearing on the risk of losses to the Scheme's members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

**There have been no changes to the structure of the funds used by the Scheme during the last year.**

### Manager incentives

As described on page 11 of the SIP, the Trustees seek to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

**The Trustees are satisfied that the fund managers are suitably incentivised to deliver good outcomes for the Scheme's members.**

### Responsible Investment

The Trustees believe that responsible investing covers both sustainable investment and effective stewardship of the assets the Scheme invests in.

**The Trustees approach to responsible investing has not changed during the last year.**

### Investment stewardship

As described on page 13 of the SIP, the Trustees believe it is important that the fund managers as shareholders or bond holders take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).

As the Scheme's investments are held, in PIVs, at arms-length from the Trustees, the Trustees are not able to instruct the fund managers how they should vote on shareholder issues. The Trustees nevertheless:

- Choose fund managers whose voting policy are consistent with the Scheme's objectives;
- Expect fund managers to vote in a way which enhances the value of the funds in which the Scheme invests;
- Monitor how the fund managers exercise their voting rights.

### How do the Trustees monitor this?

The Trustees periodically review the fund managers approaches to stewardship including voting and engagement policies. The Trustees receive annual reports from the fund managers on how the fund managers have voted at shareholder meetings and what topics fund managers have discussed with the companies in which they invest.

The Scheme holds assets with Newton and LGIM which are invested in equities. The Trustees seek to ensure that Newton 50:50 Global Equity Fund and LGIM Global Equity Fixed Weights (50/50) Fund are exercising voting rights and, where appropriate, will monitor voting patterns. The Trustees also monitor Newton and LGIM's voting on particular companies or issues that affect more than one company.

The Scheme holds assets with Aberdeen Standard and while Aberdeen Standard actively engages with investee companies the nature of the Scheme holdings are largely government bonds and cash and are therefore not as relevant from an engagement perspective.

**Responsible Investment (continued)****Investment stewardship (continued)**

Newton and LGIM have reported on how votes were cast in these mandates as set out in the tables below.

**Newton<sup>1</sup>**

<b>50/50 Global Equity Fund</b>	
Proportion of Scheme(s) assets (as at 5 April 2021)	64.6%
No. of meetings eligible to vote at during the year	84
No. of resolutions eligible to vote on during the year	1,341
% of resolutions voted	99.0
% of resolutions voted with management	85.4
% of resolutions voted against management	14.6
% of resolutions abstained	0.0
% of meetings with at least one vote against management	41.0

**LGIM<sup>1</sup>**

<b>Global Equity Fixed Weights (50:50) Index</b>	
Proportion of Scheme(s) assets (as at 5 April 2021)	3.3%
No. of meetings eligible to vote at during the year	3,641
No. of resolutions eligible to vote on during the year	44,680
% of resolutions voted	99.97
% of resolutions voted with management	83.56
% of resolutions voted against management	16.29

The most significant shareholder votes and how the fund managers voted during the last year were:

**Newton 50/50 Global Equity**

<b>Date</b>	<b>Company</b>	<b>Subject</b>	<b>Manager's vote and rationale</b>	<b>Outcome</b>
29/04/2020	Unilever plc	Remuneration	<b>Voted against</b> – the remuneration report and members of the remuneration committee. The first concern was with the 'co-investment plan', into which directors must invest at least one third of their annual bonus. This means that if no bonuses are awarded, executives have no long-term incentive, which may force bonuses to be awarded more generously than deserved. Secondly, variable pay awards continue to be determined as a multiple of fixed pay into which other benefits like pensions are bundled, rather than as a multiple of base salary.	Newton considered this a significant vote given the attention the subject receives from investors and wider stakeholders and that certain elements of the pay structure is not in line with established UK best practice. The vote was passed.

## Responsible Investment (continued)

## Investment stewardship (continued)

## Newton 50/50 Global Equity

Date	Company	Subject	Manager's vote and rationale	Outcome
30/09/2020	Alibaba Group Holding Limited	Director Election	<b>Voted Against</b> – voted against the two members of the governance committee who were seeking re-election given our concern surrounding the low level of independence on the board.	Vote passed but this vote clearly highlighted an area of contention for the company's non-domestic shareholders and a matter where improvements could increase the company's attractiveness to foreign investors.
02/12/2020	Microsoft Corporation	Audit/Remuneration	<b>Voted against</b> - Despite improvements to executive remuneration practices over recent years, we remained concerned that approximately half of long-term pay awards vest irrespective of performance. We voted against the executive compensation arrangements and against the three members of the compensation committee.  <b>Voted against</b> – the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.	While the vote outcome in relation to the external auditor will barely register with the company, the near majority support for the shareholder proposal provides an increased likelihood of shareholders' rights being improved. The improvements will require further shareholder votes at a future AGM in order for the company to make the necessary changes to its bylaws.

## Responsible Investment (continued)

## Investment stewardship (continued)

## LGIM Global Equity Fixed Weights (50:50) Index

Date	Company	Subject	Manager's vote and rationale	Outcome
07/05/2020	Barclays	Climate Change	<b>Voted for</b> – the resolution proposed by Barclays set out its long-term plans and had the backing of ShareAction and co-filers.	Vote passed – the hard work is just beginning. LGIM's focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. They plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.
07/09/2020	International Consildated Airlines Group	Remuneration	<b>Voted against</b> - the remuneration report for the financial year to 31 December 2019 was submitted to a shareholder vote. LGIM were concerned about the level of bonus payments and expected the remuneration committee to exercise greater discretion in light of the financial situation of the company.	Vote passed – LGIM considers this vote significant as it illustrates the importance for investors of monitoring their investee companies' responses to the COVID crisis.



**Responsible Investment (continued)****Investment stewardship (continued)****LGIM Global Equity Fixed Weights (50:50) Index**

Date	Company	Subject	Manager's vote and rationale	Outcome
23/10/2020	Qantas Airways Limited	Remuneration	<b>Voted for</b> - LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.	Vote passed – it however highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.
28/01/2021	Walgreens Boots Alliance, Inc.	Executive officer compensation	<b>Voted against</b> - the company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance.	Vote failed - it was high-profile and controversial.

The resolutions which Newton and LGIM voted against management the most on over the scheme year were mainly in relation to remuneration. Whilst the resolutions described above largely passed, Newton and LGIM have demonstrated long term opposition to these and have continued their

**The Trustees are satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the SIP.**