

Whitbread Group Pension Fund

Implementation Statement for the year ending 31 March 2023

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Fund's Statement of Investment Principles during the year ending 31 March 2023.

Why do the Fund's investments matter to me?

The DC section of the Fund 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 Trustee follows when governing the Fund'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 Trustee's approach to responsible investing (including climate change).

The last review of the Fund's SIP was completed on January 2023 and the next review will take place no later than January 2026.

There were no changes made to the SIP during the last year. If you want to find out more, you can find a copy of the Fund's SIP (and the Fund's Chairs Statement) at

<https://www.whitbreadpensions.com/>

The Investment Arrangements Document, which sets out details about the default arrangement and wider range of investment choices, was updated in February 2023 to reflect the introduction of the Mercer Passive Shariah Equity Fund.

What is this Implementation Statement for?

Each year the Trustee is required to prepare an Implementation Statement, which sets out how they have complied with the Fund's SIP, relating to DC benefits, during the last year.

Overall, the Trustee is satisfied that:

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

How the Fund's investments are governed

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

The Trustee has established an investment Sub-Committee which focuses on investment issues and makes recommendations to the whole Trustee Board.

There have been no changes to the Trustee's governance processes during the last year.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell in the funds offered to members, to the fiduciary manager, Mercer.

The Trustee keeps their knowledge up to date by attending regular seminars and training sessions across a range of topics. This is reviewed on an annual basis.

The Trustee monitors how well their investment advisers, Hymans Robertson, meet the objectives agreed with them. The investment advisers agreed the following objectives with the Trustee:

- Provide annual advice on the suitability of the investment approach and performance of the lifestyle arrangements in terms of maximising long risk-adjusted real returns for members when they are far from retirement and delivering protection against market falls when members are closer to retirement;
- Provide relevant and timely advice on issues that may affect the suitability and performance of investment arrangements;
- Provide relevant and timely advice that supports the Trustee's investment beliefs including those in relation to Responsible Investment;
- Develop Trustee knowledge and understanding of Investment matters;
- The investment adviser's services to support the Fund's ongoing governance shall be proportional and competitive in terms of costs relating to their peer group;
- Provide relevant and timely advice to queries that might arise and support the Funding and Investment Sub-Committee on ad hoc investment matters;
- Ensure that the investment adviser's advice complies with relevant pensions regulations, legislation and supporting guidance;
- Review and provide advice on any strategic and regulatory revisions to the Statement of Investment Principles; and
- Provide an independent assessment of the Value for Member's in terms of the investment and administration of the DC section of the Fund.

The Trustee is satisfied that during the last year:

- **The Fund's DC governance structure was appropriate;**
- **The Trustee 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 1-2 for the default arrangement and for the other investment options. The Trustee 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 charges and transaction costs for each fund;
- Considering whether the default arrangement and other investment options still represent good value for members;
- Considering whether the funds still meet the investment objectives the Trustee has set for the default arrangement and other investment options;
- Considering market conditions and developments in investment thinking; and

- Checking whether there have been any significant changes in members' choices of investment options and members' choices of benefits when they retire.

The Trustee is satisfied that the default arrangement and other investment options remains suitable for most members because:

- Its investment performance has been consistent with its investment objectives and wider market performance; and
- Members' needs and likely benefit choices at retirement have not changed materially.

The Trustee's investment beliefs

The Trustee has developed a set of investment beliefs which are set out in the SIP which they use as a guide when making investment decisions.

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

The expected risks and returns on your savings in the Fund

The investment risks relating to members' DC benefits are described in the SIP on page 2. Fund returns are monitored quarterly and compared to various target returns.

The Trustee believes that the main investment risks members face described in the SIP have not changed materially over the last year.

The Trustee is satisfied that the current target rates of investment return (for the types of funds described in the SIP) are still reasonable relative to the risks that members face.

The Trustee's view 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 Fund invests in over the longer-term) for the Fund's lifestyle options (which gradually change the funds in which your savings are invested as you approach retirement).

The Trustee's view on the long-term mix of investments for the Fund's lifestyle options including the default arrangement did not change during the last year.

Fund managers

Choice of platform and funds

The Trustee monitors the service of the platform used by the DC section of the Fund by:

- Receiving quarterly updates and periodic reporting on platform capabilities from Mercer; and
- Requesting that their investment advisers complete an independent value for money assessment of the Fund's investment and administration arrangements.

The Trustee monitors the performance of the funds used by the DC section of the Fund by:

- Receiving quarterly updates from Mercer regarding fund performance against their respective benchmarks; and
- Receiving an independent annual investment performance review from their investment adviser.

There have been no changes to the platform and funds used during the last year.

The Trustee is satisfied that the investment platform used by the Fund remains appropriate.

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

The Trustee ensures that this happens by monitoring the service levels and standards of the investment and disinvestment processes completed by Mercer.

The Trustee is satisfied that money can be invested in and taken out of the Fund's funds without delay as set out in the SIP.

Changes in where funds are invested

The Trustee delegates the monitoring of 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 to Mercer.

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when an underlying 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 underlying fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee. During the year, the Trustee has not identified any material concerns regarding portfolio turnover or associated costs through performance measurement.

The Trustee, via Mercer's monitoring and independent assessments undertaken by Hymans Robertson, is 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 Fund

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

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

The financial strength of the platform provider and the fund managers has a bearing on the risk of losses to the Fund's DC 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 Fund during the last year. The Trustee is not aware of any material changes in the financial strength of the investment platform provider or the fund managers used by the platform in the last year.

Manager incentives

As described on page 3 of the SIP, the Trustee, via Mercer, seeks to ensure that the underlying fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives. The Trustee uses its investment adviser to assess Mercer and ensure they are suitably incentivised to deliver good member outcomes.

The funds used by the Fund are held at arms-length from the Trustee via an investment platform. Nevertheless, the Trustee believes it is in the platform's best commercial interests to ensure that the fund managers are suitably incentivised to meet their funds' investment objectives.

The Trustee are satisfied that both Mercer and underlying fund managers are suitably incentivised to deliver good outcomes for the Fund's members following the annual Value for Members Assessment which considers the charges on the Fund's funds relative to the wider market.

Responsible Investment

The Trustee believes that responsible investing covers both sustainable investment and effective stewardship of the assets the Fund invests in.

The Trustee's approach to responsible investing has not changed during the last year.

Investment stewardship

As described on pages 4-5 of the SIP, the Trustee believes 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 Fund's investments).

As the Fund's investments are held at arms-length from the Trustee and members through an investment platform operated by Mercer, the Trustee is not able to instruct the fund managers how they should vote on shareholder issues. The Trustee nevertheless:

- Delegates the choice of fund managers to Mercer;
- Expect fund managers to vote in a way which enhances the value of the funds in which the Fund invests;
- Monitors, via Mercer, how the fund managers exercise their voting rights.

How does the Trustee monitor this?

The Trustee periodically reviews the platform's and fund managers' approaches to stewardship including voting and engagement policies.

The Trustee receive reports from Mercer regarding performance and adherence to its Sustainable Investment Policy. The Trustee also meets with Mercer annually to discuss how the fund managers have voted at shareholder meetings and what topics fund managers have discussed with the companies in which they invest.

The funds with voting rights attached that are available for members to invest in are listed below along with summary voting statistics for each fund.

- Mercer Growth Fund;
- Mercer Diversified Retirement Fund; and
- HSBC CCF Islamic Global Equity Fund

These three funds are made up of a number of underlying funds, and therefore the voting activity is delegated to the external investment managers (“sub-investment managers”) as appointed by Mercer.

The Trustee considers how the fund manager voted on significant issues. The Trustee considers ‘significant votes’ to be either companies with relatively large weightings in the funds members invest in, or where there were shareholder issues that members are expected to have an interest. The following table sets out summary voting statistics for each fund.

	Mercer Growth Fund	Mercer Diversified Retirement Fund	HSBC CCF Islamic Global Equity Fund
No. of resolutions eligible to vote	119,851	69,990	1,423
% resolutions voted	99.8%	99.9%	97.0%
% resolutions voted for	82.9%	81.8%	80.5%
% resolutions voted against	16.1%	16.6%	19.8%
% resolutions abstained, did not vote etc.	1.0%	1.6%	0.0%
For the resolutions voted, the % voted with management	n/a*	n/a*	21.1%
Of the resolutions voted, the % against management	n/a*	n/a*	78.9%

*This information was not provided.

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

	Microsoft Inc	Amazon.com Inc	Alphabet Inc	Standard Bank Group Ltd.	Firstenergy Corp.
Date	13 December 2022	25 May 2022	1 June 2022	31 May 2022	17 May 2022
Resolution	Shareholder proposal regarding managing climate risk in employee retirement options	Report on protecting the Rights of Freedom of Association	Shareholder proposal regarding report on Board Diversity	Shareholder proposal regarding disclosure of GHG Emissions	Shareholder proposal regarding child labour linked to electric vehicles
Mercer	Against	For	Against	For	Against
HSBC	n/a	For	For	For	n/a

Source: insightia

Commentary on significant votes

- Microsoft Inc. - A vote against this resolution is warranted. The company offers an option to employees that want to invest more responsibly, and the Department of Labor is finalising rules on how ESG factors should be considered by fiduciaries.
- Amazon.com Inc. - Given Amazon's significant controversies related to working conditions and treatment of workers, and the perceived lack of awareness of Amazon's Board and leadership on ongoing concerns relative to the Company's industrial relations management, we believe that a report such as the one requested is in investors' interest.
- Standard Bank Group Ltd. – Support for all climate-related shareholder proposals at Standard Bank Group's 2022 AGM is considered warranted in light of the benefits of progressive disclosure on the company's financed emissions and climate strategy, noting that the company is considering to put the proposals to vote is a positive development.
- Firstenergy Corp. - A vote against this proposal is warranted as it is unclear how the requested report would benefit shareholders given that the production of electric vehicle batteries is not within the company's supply chain.

How do fund managers implement their votes?

The managers often make use of proxy voting to inform their decision making. The managers use the following organisations as proxies for their voting activity:

Manager	Comment on approach
Mercer Global Investments	Mercer Investment Services Europe accepts that managers may have detailed knowledge of both the governance and the operations of investee companies and has therefore enabled managers to vote based on their own proxy-voting execution policy. As Mercer do not vote directly, they do not use the policy services of a proxy advisor. Mercer do however monitor the use of proxy voting advisors by underlying managers and also have access to research and reporting and disclosure services.
HSBC	HSBC use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene their guidelines. HSBC review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on their guidelines.

Ethical Investing

The Trustee expects that most members will not have strong views on where their pension savings should be invested and recognises that it is not possible to cater for everyone's views on non-financial/ethical matters. However, the Trustee has determined that it is appropriate to offer an investment choice compliant with Shariah Law, after considering feedback from members.

The Trustee is 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.

The Trustee's overall approach to ethical investing has not changed during the last year, although a Shariah fund choice was introduced to cater for the anticipated needs of a portion of members.

Limitations and missing information

During the last year the Trustee followed all the policies and practices described in the SIP.

The Trustee is comfortable that there are no material limitations or missing information affecting the content in this Statement.

Looking forwards

In the next Fund year, which will be covered by next year's Implementation Statement, the Trustee intend to undertake the following actions in relation to the SIP:

- Review the investment strategy as part of a scheduled triennial assessment; and
- Consider members' anticipated retirement outcomes and potential opportunities to improve value.

More information

We hope this Statement helps you understand how the Fund's investment of your savings for retirement has been managed in the last year. If you have any questions or feedback in relation to this implementation statement, please contact pensions@whitbread.com

If you have any questions regarding your retirement savings then please contact [Contact.Mercer.com/blue](https://www.mercer.com/blue)