

Kellogg's (Great Britain) Pension Fund (the "Fund")

Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Trustee's Statement of Investment Principles ("SIP") has been followed during the year to 5 April 2024. The statement also details the stewardship and engagement activities of the Trustee.

The statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended, and guidance published by the Pensions Regulator.

The Trustee maintains a Statement of Investment Principles (SIP) prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. The SIP in place at the time of publication of this statement is dated May 2024, and reflects the fact that the DC Section of the Fund is no longer a going concern, following the move to a master trust with Standard Life. That is, the latest SIP does not reference the prior DC arrangements. As such, the Trustee has included as an attachment to this statement the last SIP that was in place prior to the transfer of the DC assets to a master trust, which is the SIP dated March 2024, as well as the current SIP, dated May 2024.

To be clear, this statement relates to the relevant SIP in place over the period, namely the SIP in force between 6 April 2023 and 5 April 2024. A copy of the recently updated SIP which is currently in force is available at <https://schemedocs.com/kellogg-statement-investment-principles.html>

During the Fund year, there was both a Defined Benefit (DB) Section and a Defined Contribution (DC) Section. The investment arrangements of the Fund underwent significant changes over the reporting period:

- The Trustee purchased a second bulk annuity buy-in policy in respect of the DB Section liabilities. The majority of DB Section assets were sold or transferred to Legal & General Assurance Society (LGAS) as part of this transaction. Only a small residual asset holding remained post Fund-year end which was invested in a liquidity fund.
- In respect of the DC Section, the sponsoring employer completed a review of pension arrangements for its employees in the UK during the year, and took the decision to move future DC provision to a master trust with Standard Life. The new arrangement began to receive contributions from February 2024. Subsequently, existing DC Section benefits in the Fund were transferred to the master trust in late April / early May 2024.

Review of the SIP

The Trustee reviewed the SIP during the year, and, after taking investment advice from the investment adviser, updated the SIP in March 2024 to reflect the purchase of a second buy-in bulk annuity policy with LGAS. The SIP was subsequently updated again in May 2024 to reflect the transfer of the DC Section to a master trust, as noted above. The Company was consulted on the SIP on each occasion.

Assessment of how the SIP policies have been followed for the year to 5 April 2024

The information provided in the following section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the policies in the SIP, whilst noting the significant changes to the asset held. **In summary, it is the Trustee's view that the policies in the SIP have been followed during the Fund year.**

For the avoidance of doubt, the SIPs referenced in this statement are those that were in effect during the Fund year, which were the SIPs dated December 2022 and March 2024. Both SIPs are attached to this statement.

Requirement	In the year to 5 April 2024
Securing compliance with the legal requirements about choosing investments.	<p><i>DB Section</i></p> <p>During the year, the Trustee purchased a bulk annuity buy-in policy in respect of the DB Section liabilities, after taking advice from the appointed actuary, risk transfer consultant and investment adviser. The Trustee conducted careful suitability review and discussed the advice obtained at relevant Trustee meetings. There were no new pooled funds selected during the Fund year.</p> <p><i>DC Section</i></p> <p>The Trustee did not choose any new investments for the DC Section during the year.</p>
Kinds of investments to be held and the balance between different kinds of investments.	<p><i>DB Section</i></p> <p>As noted in the introduction, during the year the Trustee disinvested a number of investment mandates in order to purchase a buy-in policy, to meet the objective of securing member benefits. Investments previously held in multi-asset credit, corporate bonds, property, and liability driven investments were sold and the proceeds invested in the buy-in policy with LGAS. LGAS is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA.</p> <p><i>DC Section</i></p> <p>While the investment strategy (fund type, management style and asset allocations) used within the DC Section did not change during the year, subsequent to the end of the Fund year, existing DC Section benefits in the Fund were transferred to a master trust arrangement with Standard Life. This took place in late April / early May 2024. From this point, no DC Section investments remain in the Fund, and responsibility for the investments transferred to Trustee of the Standard Life master trust.</p>
Risk and return, including the ways in which risks are to be measured and managed, and the expected return on investments.	<p><i>DB Section</i></p> <p>The key risk addressed over the year was the risk of a deterioration in the value of assets relative to the liabilities, beyond the level that the Sponsor is willing or able to rectify through additional payments. This is minimised by aiming to match 100% of the liabilities with annuities held with a regulated insurance company. Annuity policies do bring the risk that the provider may not be able to make the contracted payments. This is mitigated through the use of policies subject to the insurance market solvency regime. The Trustee therefore considers insurer risk to be low, mitigated by due diligence on the provider, taking professional regulated advice, and through contract terms. In the unlikely event of insurer default, protections include the Financial Services Compensation Scheme.</p> <p><i>DC Section</i></p> <p>The Trustee reviewed the measurement of a number of the risks detailed in the SIP on a quarterly basis as part of regular performance reporting. The reports were provided by the investment adviser and included risk metrics such as volatility and “drawdown” risk for the default investment fund, alongside manager risk monitoring through analysis of performance relative to benchmarks and targets. Performance was also considered relative to inflation, to monitor risks in this regard.</p>
Realisation of investments	<p><i>DB Section</i></p> <p>During the year, the selection, retention and realisation of assets was carried out in a way consistent with the overall policies in the SIP. Payments to the Fund in respect of the insured members and their benefits are made under the annuity contract. Any additional cashflow requirements, such as expenses, are met from residual cash (including using assets held by the Trustee in a liquidity fund).</p> <p><i>DC Section</i></p>

Requirement	In the year to 5 April 2024
	<p>During the year, all investments available to members within the DC Section were invested in daily dealt pooled investment vehicles, accessed by an insurance contract. No issues were experienced with the realisation of investments.</p>
<p>Financial and non-financial considerations and how those are taken into account in the selection, retention and realisation of investments.</p>	<p><i>DB Section</i></p> <p>The only remaining invested assets are held in a liquidity fund. The asset manager is considered to have the ability to assess financial and non-financial matters as part of their management of this fund.</p> <p><i>DC Section</i></p> <p>During the year, the Trustee continued to consider ESG ratings published by the investment adviser when monitoring the DC funds. In respect of the assets invested in the default investment strategy and other target retirement dated funds, a target was in place to reach “net zero” carbon emissions by 2050, with an interim goal to reduce carbon emissions by at least 45% from 2019 baseline levels by 2030. This assisted the Trustee in managing climate change risks, aligned with the SIP policies that were in place.</p>
<p>Exercise of rights (including voting rights) attaching to investments and undertaking engagement activities.</p>	<p>The Fund no longer holds investments with voting rights attached, following the transfer of the DC Section assets to a master trust following the Fund year end, and given the de-risked position of the DB Section. However, equities with voting rights attached were held during the year, via pooled funds available to DC Section members. The equity investment managers were therefore asked to provide vote reporting, which is considered by the Trustee when this statement is reviewed. Voting records during the year are summarised later in this statement. The Trustee did not use the services of a proxy voter during the year and has no plans to do so.</p> <p><i>DB Section</i></p> <p>During the previous Fund year, the Trustee disinvested all of the equity mandates. No voting rights remain.</p> <p><i>DC Section</i></p> <p>During the year, the Fund continued to invest solely in pooled funds, where voting and engagement activities were delegated to the investment managers. However, stewardship monitoring of voting and engagement activity, and adherence to the UK Stewardship Code, was part of the Trustee’s policy. The Trustee received and reviewed an annual Stewardship Monitoring report, prepared by Mercer, to assist with this monitoring. The Trustee considers that the policy in place was implemented appropriately during the year.</p>
<p>How the arrangements incentivise the manager to align its strategy & decisions with Trustee policies.</p>	<p><i>DB Section</i></p>

Requirement	In the year to 5 April 2024
How the arrangement incentivises a manager to make decisions based on medium to long term financial / non-financial performance of an issuer of debt or equity and to engage with issuers to improve performance.	<p>The majority of the invested assets were redeemed during the year to fund the purchase of the second buy-in policy. The performance of the remaining liquidity fund holding is reviewed the Trustee and its advisors periodically, and any issues would be raised with the Trustee by the investment adviser as appropriate.</p> <p><i>DC Section</i></p> <p>Over the year, the Trustee monitored how each asset manager within the DB and DC Sections embeds ESG into their investment process and how the managers' responsible investment philosophy aligns with the Trustee's own beliefs via changes in the ESG ratings assigned by the Trustee's investment adviser.</p>
How the method & time horizon of evaluation of the manager's performance and the remuneration for asset management services are in line with the trustees' policies.	<p><i>DB Section</i></p> <p>Following the buy-in purchase the SIP was updated to reflect that there is only one remaining investment mandate. The method and time horizon of evaluation of this mandate is considered to be in line with the Fund's objectives and the SIP policies in this regard.</p> <p><i>DC Section</i></p> <p>Prior to the transfer of the DC Section to a master trust, the Trustee conducted an annual assessment of the extent to which the Fund provided value for members. This included benchmarking fund fees. Further details are provided in the Chair's Statement.</p>
How trustees monitor turnover costs, and how they define and monitor targeted portfolio turnover / turnover range.	<p>Following the completion of the buy-in transaction, the SIP was updated to note that the Trustees do not actively monitor portfolio turnover costs in respect of the limited remaining invested assets. For the DC Section where assets remained during the Fund year, transaction costs were considered and disclosed in the annual Chair's Statement.</p>
The duration of the arrangement with the asset manager	<p>The Trustee's policies in this regard were updated in the most recent SIP to state that regular investment monitoring reports are no longer relevant, given the vast majority of Fund assets are invested in bulk annuity policies. For the one remaining invested mandate, if the liquidity fund manager is not meeting its performance objectives, over a sustained period of time, and after consideration of all relevant factors, the Trustee may take the decision to terminate the appointment.</p>

Engagement policy statement

The SIP sets out the Trustee's policy on ESG considerations, including stewardship and climate change.

In respect of the DB section, the Trustees have now delegated consideration of ESG issues, engagement and stewardship to LGAS in relation to the majority of Fund assets via the bulk annuity contracts, and to a professional investment manager in relation to remaining invested assets. As the Fund's two bulk annuity contracts were executed with the same insurance provider (LGAS), the Trustee was already aware of the insurer's strong credentials in this area as part of the due diligence carried out for the first transaction. The Trustee remain satisfied that LGAS has appropriate policy and strategy in relation to ESG activities, including stewardship.

The annuity contracts make contractual payments to the Fund dependent only on the benefits payable under the contracts. As a result, the Trustees have minimal direct exposure to risks arising from long-term sustainability issues, including climate change. They are however satisfied that LGAS apply due consideration to ESG issues in the investment of assets underlying the contracts.

During the year, the following work was carried out in relation to ESG matters, including engagement:

- At the 19 September 2023 Trustee meeting, the Trustee Board reviewed the annual Implementation Statement covering the period to 5 April 2023 and in particular considered the stewardship (voting and engagement) activities that had been carried out by the investment managers on the Trustee's behalf. The Trustee was satisfied that the stewardship activities were consistent with the Trustee's policies.
- The Trustee Board reviewed the SIP at the 19 March 2024 Trustee meeting, by considering a revised draft prepared by the investment adviser. As part of this review, the Trustee reviewed the SIP policies on ESG and stewardship, including its policies around engagement.
- Prior to the closure of the DC Section and its transfer to a master trust, the Trustee's investment adviser provided quarterly investment reports which included ESG ratings for each investment mandate. Any deterioration in ratings would be highlighted by the adviser as a prompt to review an investment mandate.

Voting Activity during the Fund year

During the year, the Trustee continued to delegate investment voting rights to the investment managers, and did not use the direct services of a proxy voter. Most voting activity will arise in respect of public equities. The Trustee has received information relating to funds that invest in public equities.

DB Section

The majority of the DB assets are invested in insurance contracts with LGAS, or in a liquidity fund. As such they do not have direct voting rights. In addition, the only remaining appointed manager did not have any significant voting rights in relation to the assets they held in the liquidity fund over the period.

DC Section

The Fund made available to members a range of pooled funds. Note that for a number of these funds, the underlying investments are spread across a range of different investment managers. The funds shown below were the vehicles that held publicly listed equities during the year.

Fund Type	Fund
Multi-Asset	Mercer Growth / Balanced Risk *
	Mercer Diversified Growth
	Mercer Diversified Retirement*
Equity	BlackRock Passive UK Equity
	BlackRock Passive Overseas Equity
	BlackRock Passive Global Equity (50:50)
	BlackRock Passive Emerging Markets Equity

*Fund used in default strategy.

In addition to these funds, a series of Target Retirement dated funds were available, which provided automated de-risking aligned to three different types of retirement benefit. The primary components of these funds are however already listed in the table above.

Underlying Manager / Funds	12 Months to 31 March 2024 unless otherwise stated					
	No. meetings eligible to vote	No. resolutions eligible to vote	% resolutions voted on where eligible	Of resolutions voted, % voted with management	Of resolutions voted, % voted against management	Of resolutions voted, % abstained
DC Section						
Mercer Growth / Balanced Risk ¹	11,179	125,611	97.6%	84.4%	15.0%	0.7%
Mercer Diversified Growth ¹	11,179	125,611	97.6%	84.4%	15.0%	0.7%
Mercer Diversified Retirement	6,513	74,896	97.2%	84.2%	14.8%	1.0%
BlackRock Passive UK Equity	1,056	14,873	96.4%	95.3%	3.6%	1.1%
BlackRock Passive Overseas Equity	2,125	27,144	94.3%	93.3%	6.2%	0.5%
BlackRock Passive Global Equity (50:50)	2,713	36,348	97.9%	94.3%	5.0%	0.6%
BlackRock Passive Emerging Markets Equity	2,348	22,320	98.8%	86.7%	12.7%	0.6%

¹ Voting information is identical for these funds as the equity holdings are the same.

Source: Investment Managers. Totals may not sum due to rounding.

Significant votes

During the year, the Fund continued to invest in pooled funds, rather than investing in companies directly. As such, the investment managers exercise voting rights at the pooled fund level. In addition, as noted earlier, the DB Section did not hold any assets with voting rights over the year.

Given the large number of votes considered by investment managers at every Annual General Meeting, for every company in every fund, along with the timescales over which voting takes place and the resource and expertise required, the Trustee did not identify significant voting ahead of the reporting period.

Instead, the Trustee has (with the support of its adviser) retrospectively reviewed the voting records of the relevant investment managers, in order to identify significant votes in the context of the Trustee's stewardship priorities, which are:

- Climate change
- Human rights and labour practices
- Diversity, equity, and inclusion.

As voting rights only apply to equities, significant votes are provided only for the funds held during the year that invested in equities.

Mercer Growth / Balanced Risk (DC Section)	
Company & Item	Fedex Corp, Shareholder Proposal Regarding Paid Sick Leave
Date	21 September 2023
Why considered significant	Relates to human rights and labour practices, one of the Trustee's stewardship priorities
Vote	For
Rationale	<p>This shareholder proposal asked FedEx to publicly disclose its permanent paid sick leave policies.</p> <p>Nearly 28 million people working in the private sector in the USA have no access to paid sick leave for short-term health needs. This can impact workforce productivity and employee turnover, as well as public health, because employees have to make a choice between losing out on pay, or working when unwell.</p> <p>The investment manager voted in favour of this proposal, on the grounds that it supports FedEx putting policies in place and making them more publicly accessible to stakeholders and investors, in order that they can better assess key social issues.</p>
Outcome	The shareholder proposal failed, though over 10% of shareholders voted against management, which acts as an important signal to the company.

Mercer Diversified Growth (DC Section)	
Company & item	Digital Realty Trust Inc, Shareholder Proposal Regarding Concealment Clauses
Date	8 June 2023
Why considered significant	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities
Vote	For
Rationale	<p>The company to which this vote applied, Digital Realty, is a technology company that provides network security and data platform solutions.</p> <p>Shareholders tabled a proposal requesting a public report assessing the potential risks to the company associated with its use of concealment clauses in the context of harassment, discrimination and other unlawful acts. While "concealment clauses" in employment agreements can help to protect confidential information, they may also prevent workers from speaking publicly about harassment and discrimination.</p> <p>A vote in favour was applied as the manager supports proposals related to improvement in information available in respect of diversity and inclusion policies. The manager considers these issues to be a material risk to companies. In addition, in 2022, 46% of shareholders backed a similar request, but the company had still not released any new information on its use of concealment clauses, nor had it agreed to a conversation with the resolution's proponents.</p>
Outcome	The proposal was withdrawn following the manager's vote. The manager will review the proposal if it is tabled again, and continue to monitor the company's diversity and inclusion related disclosures and policies.

Mercer Diversified Retirement (DC Section)	
Company & item	CenterPoint Energy, Shareholder Proposal Regarding Scope 3 Emissions Targets
Date	21 April 2023
Why considered significant	Relates to climate change, one of the Trustee's stewardship priorities
Vote	For
Rationale	<p>This was a shareholder proposal requesting for CenterPoint Energy to adopt interim and long-term greenhouse gas emission reduction targets across its full range of value chain emissions in alignment with the Paris Agreement's 1.5°C goal, requiring Net Zero emissions by 2050.</p> <p>The manager voted for this resolution as they expect companies to set 1.5°C aligned targets covering all scopes of emissions.</p> <p>The manager did however note that the company has made clear progress in recent years. They have committed to Net Zero direct emissions by 2035, driven by an accelerated closure of coal plants replaced by solar, wind and batteries. The manager will continue to use voting rights, and to engage with CenterPoint Energy as the company progresses its commitment.</p>
Outcome	Shareholder proposal failed.

BlackRock Passive UK Equity (DC Section)	
Company & item	Glencore, Approval of Climate Change Report
Date	26 May 2023
Why considered significant	Relates to climate change, which is one of the Trustee's stewardship priorities.
Vote	Against
Rationale	<p>Glencore is a multinational commodity trading and mining company.</p> <p>BlackRock was among a number of investors who rejected Glencore's climate progress report at its annual general meeting. As a material shareholder, BlackRock's vote against management boosted dissident shareholders and helped the total votes in opposition to the company's proposed climate plan to pass 30% for the first time.</p> <p>The manager notes that although Glencore has improved its public disclosures on climate-related risks and opportunities, concerns remain that aspects of the report, as well as recent developments, have pointed to inconsistencies in the company's stated strategy. Accordingly, they voted against management.</p>
Outcome	The vote passed, though with material shareholder dissent.

BlackRock Passive Overseas Equity (DC Section)	
Company & item	Chevron, Proposal to Rescind Scope 3 Emissions Reduction
Date	31 May 2023
Why considered significant	Relates to climate change, one of the Trustee's stewardship priorities
Vote	For
Rationale	<p>A shareholder proposal was put forward asking Chevron to rescind a 2021 non-binding shareholder proposal asking Chevron to reduce its Scope 3 greenhouse gas emissions "in the medium- and long-term future". BlackRock notes that following a shareholder proposal in 2021, Chevron started to include scope 3 emissions in their metrics to help investors understand its efforts to mitigate risk. BlackRock see this as a responsible reaction to feedback and find Chevron's approach to incorporating scope 3 emissions in their Carbon Intensity targets to be a meaningful way for the company to reduce emissions, while maintaining the integrity of their core business.</p> <p>The shareholder proposal in 2023 asserted that the only response for an oil and gas company to reducing scope 3 emissions is by "substantially reducing consumer use of its products". In BlackRock's view, reducing sales is not the only way to cut emissions. Overall, BlackRock felt the proponent's request to rescind a proposal from 2 years ago, which passed, and upon which the company has already acted, would not be good governance and would not be in the best interests of clients.</p>
Outcome	The resolution failed.

BlackRock Passive Global Equity (50:50) (DC Section)	
Company & item	ExxonMobil, Report on Social Impact from Plant Closure or Energy Transition
Date	31 May 2023
Why considered significant	Relates to both climate change and human rights and labour practices, which are two of the Trustee's three stewardship priorities
Vote	Against
Rationale	<p>A shareholder proposal requested that the board issue a report on "the social impact on workers and communities from closure or energy transition of the Company's facilities, and alternatives that can be developed to help mitigate the social impact of such closures or energy transitions."</p> <p>BlackRock notes that when they engage with companies on the climate transition, this often includes considering how they plan to support workers. BlackRock engaged with Exxon to understand how it is managing concerns around human capital and employee retention, to ensure Exxon can attract and retain the people needed for the future. BlackRock found the board to be highly engaged on this topic.</p> <p>Exxon already discloses how they approach training, development, and workforce continuity, in light of a transition to a low carbon economy. In 2023, Exxon noted that to achieve sustained emission reduction, a balanced approach will be needed, taking into account employees, customers and communities. Exxon aims to support a just transition by focusing on providing professional growth opportunities for employees and engaging with employees and communities. In BlackRock's view, Exxon already provides enough information for investors. As such, they voted against the proposal.</p>
Outcome	The shareholder proposal failed.

BlackRock Passive Emerging Markets Equity (DC Section)	
Company & item	Zhejiang Expressway Co., Ltd. ("Zhejiang"), amendment to Articles of Association
Date	4 May 2023
Why considered significant	While this does not relate directly to one of the Trustee's three stewardship priorities, it is a material corporate governance issue relating to shareholder rights, and also provides a good example of an instance where engagement has a clear positive outcome.
Vote	N/a – the company withdrew the proposals following engagement
Rationale	<p>Zhejiang is an infrastructure company involved in the development and operation of roads in China. The Company included a management proposal at its 2023 AGM to amend the company's Articles of Association. The amendments, if approved, would remove the need for certain material agenda items – such as rights issues – to receive shareholder approval in separate meetings. Instead, such items would only require approval in a combined meeting that included the company's controlling shareholder, who could have significant influence over smaller shareholders.</p> <p>Ahead of the vote, BlackRock engaged with the company to communicate concerns that the amendments risked removing an important way to protect minority shareholders. BlackRock planned to vote against the proposals on the grounds that they were not in the long-term economic interests of shareholders, and there were governance concerns around removing an important channel for shareholder feedback.</p> <p>In a good example of engagement proving effective, shortly before the AGM the company released a statement announcing that the board had decided to withdraw the amendments, citing "concerns raised by shareholders."</p>
Outcome	Company withdrew the proposals following engagement .