KELLOGG'S (GREAT BRITAIN) PENSION FUND ("THE FUND")
Annual 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 2021. This 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 SIP is enclosed within the Annual Report and sets out the policies referenced here.

Review of the SIP

The SIP was reviewed twice during the year covered by this statement.

The first review took place in September 2020 and a revised SIP, on which the sponsoring employer had been consulted, was approved at the Trustee meeting on 15 September 2020. The revisions made in this review related primarily to new requirements for SIPs to include disclosures covering the Trustee's stewardship policies, and policies in relation to asset manager arrangements, including:

- How the arrangement incentivises the manager to align its investment strategy and decisions with the Trustee's policies.
- How that arrangement incentivises the manager to make decisions based on assessments of medium to long term financial and non-financial performance of an issuer of debt / equity and to engage with issuers to improve performance in the medium to long term.
- How the method (and time horizon) of the evaluation of the manager's performance and the remuneration for asset management are in line with the Trustee's policies.
- How the Trustee monitors portfolio turnover costs and how it defines and monitors targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset manager.

A further review of the SIP took place in March 2021 and the SIP was approved by the Trustee Board at its meeting on 24 March 2021. The changes to the SIP were in relation to investment strategy changes following a strategic review. Consultation on the revised SIP with the sponsoring employer took place alongside this review, and the Trustee received confirmation of consultation from the employer on 6 April 2021, when the new SIP was uploaded to a publicly accessible website.

Investment Objectives of the Fund

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set, as the policies in the SIP are intended to help meet these objectives. The objectives set out here are those that the Trustee determines to be financially material considerations in relation to the Fund, and are as follows:

Defined Benefit (DB) Section

The Trustees' primary objectives are as follows:

- *To ensure that the Fund holds sufficient assets to meet the liabilities of the Fund as they fall due, when combined with any contributions paid in by the Company;*
- *Consistent with the above, to invest the assets in such a way as to achieve or exceed the level of return assumed by the Scheme Actuary while ensuring suitable liquidity and limiting expected variability in the funding position to a level that is no higher than is necessary to achieve the level of return targeted and does not put at risk the ability to meet the above objective.*

The Trustees, in consultation with the employer, will consider a number of options for seeking to reduce risk within the Fund. This includes considering transferring liabilities to an insurance company when funding levels and costs allow (taking into consideration the attractiveness of insurance company rates and good outcomes for members) in order to safeguard members' benefits.

The Trustee recognises this ultimately means investing in a portfolio of bonds and / or insurance policies, but believe that at the current time some investment in equities and other growth assets is justified to target enhanced return expectations and thereby target funding level improvements.

In pursuit of the above, the Trustee aims to achieve a full funding position on a low-risk actuarial basis (gilts + 0.50% p.a.) over the medium term and will consider reducing risk as the funding position relative to this basis improves.

Given the nature of the liabilities, the investment time horizon of the Fund is potentially long term. However, opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Fund's investment horizon significantly.

Defined Contribution (DC) Section

The Trustee's principal objective is to offer members reasonable choice over how contributions are invested on their behalf so that they can tailor their choice to suit their own objectives and personal circumstances. Specifically, the Trustee has chosen a range of funds designed to enable members to achieve the following individual investment objectives:

- *Positive long-term real rates of return*
- *Increasing protection for members' accumulated assets in the years approaching retirement against:*
    a. *Sudden (downward) volatility in the capital value;*
    b. *Fluctuations in the cost of taking retirement benefits in the member's chosen form.*

The Trustee also provides members with a default investment option for those who do not wish to implement their own investment strategy.

Assessment of how the SIP policies have been followed for the year to 5 April 2021

The following tables highlight activity undertaken by the Trustee during the year, and sets out how this work followed the policies in the SIP. In summary, it is the Trustee's view that the policies in the SIP have been followed during the Fund year. Note that the Trustee has established a Funding, Risk and Investment Committee ("FRIC") and has delegated responsibility for certain investment matters, including investment monitoring, to the FRIC.

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	Requirement	Policy/paragraph of SIP	In the year to 5 April 2021
1	Securing compliance with the legal requirements about choosing investments	Paragraph 2.1	*DB Section* Following a detailed investment strategy review, the Trustee agreed to make changes to the Fund's investment strategy during the year. As part of these changes, new investments were selected – namely, a bulk annuity (buy-in) policy, a low volatility equity fund, and an asset-backed securities portfolio within an existing investment manager's mandate. For these changes, the Trustee obtained and considered written advice from suitably qualified and authorised advisers, and discussed this advice at relevant Trustee and FRIC meetings. It should be noted that whilst the Trustee secured compliance with the legal requirements about choosing investments during the Fund year covered by this statement, the asset-backed securities portfolio was not implemented until after the year-end, and implementation work regarding the low volatility equity fund is ongoing at the time of writing. *DC Section* The Trustee did not choose any new investments for the DC Section during the year.
2 & 3	Kinds of investments to be held and the balance between different kinds of investments	Paragraph 2.5 (DB Section) and paragraphs 3.4 and 3.6 (DC Section)	*DB Section* An investment strategy review was completed during the year, which resulted in changes to the strategic target allocation to different investment types, and changes to the balance between different kinds of investments. In particular, it was agreed that in order to further reduce investment risk and to hedge a portion of the Fund's longevity risk, a partial buy-in would be entered into (i.e. a bulk annuity policy would be held as an asset of the Fund). In light of this decision, the Trustee worked with its advisers to review the desired "post buy-in" investment strategy to meet the investment objectives outlined in the introduction. The review was discussed at the FRIC meetings held on 10 September 2020 and 1 December 2020. At the latter meeting, the new investment strategy was agreed in principle subject to further training, which took place in the early part of 2021. The current SIP reflects this strategy. Through reports prepared by the investment adviser, asset allocation is reviewed each quarter. The new strategy is being implemented in a phased manner, and as such the actual asset allocation deviated from the target weights set out in the SIP during the year (the SIP policy makes clear that this may occur). The monitoring arrangements that have been established, along with regular

	Requirement	Policy/paragraph of SIP	In the year to 5 April 2021
			implementation plan updates from the investment adviser, help the Trustee to monitor deviations from the strategic target and to ensure that plans are in place to address these. *DC Section* The investments (fund type, management style and asset allocations) used within the DC Section did not change during the year and the SIP was implemented in line with the stated policy.
4	Risks, including the ways in which risks are to be measured and managed	Paragraph 2.3 (DB Section) and 3.3 (DC Section)	The Trustee maintained a Risk Register during the year which outlines risks by category, and considers the impact, likelihood, controls and mitigations for each risk. *DB Section* The Trustee has put in place quarterly monitoring, produced by the investment adviser, which reviews the status of a number of the investment risks documented in the SIP, including interest rate and inflation risk, investment manager risk, and collateral, cashflow, and liquidity risk. Separately, a consolidated monitoring report, prepared with input from the Scheme Actuary, investment adviser, and covenant adviser, provides quarterly monitoring of the Fund's "Value at Risk" metric alongside other key risks (funding, investment, and covenant) through an integrated risk management lens. *DC Section* The Trustee reviewed the measurement of a number of the risks noted in the SIP on a quarterly basis during the year as part of regular performance reporting. The reports were provided by the investment adviser and include risk metrics such as volatility and "drawdown" risk for the default investment fund, alongside investment manager risk monitoring through analysis of performance relative to benchmarks and targets. The Trustee is satisfied that the SIP policies have been followed during the period.
5	Expected return on investments	Paragraph 2.6 (DB Section) and paragraphs 3.6 and 3.7 (DC Section)	*DB Section* The actual return on the investments during the year comfortably exceeded the Fund's benchmark return and the expected return set out in the SIP policy. The return on the invested assets during the year was 8.2% (net of fees) and the benchmark return was 6.9%. *DC Section* There were no changes to the objectives, benchmarks or targets set for the Fund's mandates. The expected set out in the policy were achieved during the year.

	Requirement	Policy/paragraph of SIP	In the year to 5 April 2021
			Both Sections Investment performance was reviewed each quarter in order to compare actual and expected investment returns relative to benchmarks. The performance reports provided during the year included how each investment manager was delivering against their specific targets. In addition, the Trustee received confirmation on a quarterly basis of the research ratings assigned by Mercer to each underlying fund. This denotes Mercer's assessment of the likelihood of the fund's performance objective being achieved.
6	Realisation of investments	Paragraph 2.7 (DB Section) and paragraph 3.3 (DC Section, in the context of liquidity issues)	The Trustee receives an administration report each quarter from both the DB administrator and the DC administrator, which details the extent to which benefit payments and other core financial transactions have been processed within service level agreements and regulatory timelines. There were no issues experienced with realisation of investments during the period. *DB Section* No issues were experienced with the realisation of investments during the year. To assist with funding the Fund's cashflow requirements, income generated on some of the assets held by the Fund is passed to the Fund bank account rather than being reinvested. *DC Section* All funds are daily dealt pooled investment vehicles, accessed by an insurance contract. No issues were experienced with the realisation of investments during the year.
7	Financially material considerations over the appropriate time horizon, including how those are taken into account in selection, retention and realisation of investments.	The risks in the SIP are considered by the Trustee to be 'financially material considerations'. Paragraphs 2.3 & 3.3 for the DB and DC Section respectively describe these.	The financially material risks identified by the Trustee, and how they are measured and managed, formed part of the SIP review in September 2020. There were no significant changes to this policy during the year.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	Paragraph 7	There were no changes to the SIP policy during the year. No member views on investment matters (financial or non-financial) were received by the Trustee.

	Requirement	Policy/paragraph of SIP	In the year to 5 April 2021
9	The exercise of the rights (including voting rights) attaching to the investments	Paragraph 6	*DB Section* The Trustee has delegated voting rights to the investment managers, either directly or indirectly through owning units in a pooled fund. The Trustee does not use the services of a proxy voter. The equity investment managers are asked to provide voting summary reporting on a regular basis, at least annually. The voting records of the investment managers over the year are summarised later in this statement. *DC Section* During the year, the Fund continued to invest solely in pooled funds, where voting and engagement activities are delegated to the investment managers. However, stewardship monitoring on investment manager voting and engagement activity and adherence to the UK Stewardship Code is part of the Trustee's policy. During the period, the Trustee received and reviewed the annual Stewardship Monitoring report, prepared by Mercer, at the FRIC meeting held on 10 September 2020. No issues were identified and the Trustee considers that the policy in place has been implemented appropriately during the year. For the funds managed under a delegated investment arrangement, the delegated investment manager has set a target to reach net zero carbon emissions for all funds by 2050. The fiduciary manager, on the Trustee's behalf, will engage with the underlying third party investment managers in order to deliver on this target. The Trustee believes that this aligns with its policies in relation to risk management and ESG. The Trustee has also requested key voting activities from their managers which is summarised later in this statement.
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor & engage with relevant persons about relevant matters)		
11	How manager arrangement(s) incentivise the manager to align its investment strategy and decisions with trustees' policies.	Paragraph 4	New disclosures on the Trustee's policies were added to the SIP in September 2020 which reflect current practice.
12	How the arrangement incentivises the manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an	Paragraph 4	New disclosures on the Trustee's policies were added to the SIP in September 2020 which reflect current practice. Assessment of the medium to long-term financial and non-financial performance of an issuer are made by the investment managers, with appropriate monitoring by the Trustee. Over the year, the Trustee monitored how each asset manager embeds ESG into their investment process and how

	Requirement	Policy/paragraph of SIP	In the year to 5 April 2021
	issuer of debt/equity and engage with issuers to improve their performance in the medium to long-term.		the managers' responsible investment philosophy aligns with the Trustee's own beliefs via changes in the ESG ratings assigned by Mercer.
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies.	Paragraph 4	New disclosures on the Trustee's policies were added to the SIP in September 2020 which reflect current practice. Short and long term investment performance was reviewed through quarterly investment reports prepared by the investment consultant, for both the DB and the DC Sections. *DC Section* The Trustee conducts an annual assessment of the extent to which the Fund provides value for members. This includes benchmarking the fees paid by members. During the year, this assessment was undertaken and discussed at the Trustee meeting held on 25 June 2020. Further details are provided in the Chair's Statement of DC Governance.
14	How trustees monitor portfolio turnover costs incurred by the manager, and how they define and monitor targeted portfolio turnover or turnover range.	Paragraph 4	New disclosures on the Trustee's policies were added to the SIP in September 2020 which reflect current practice. *DB Section* Investment performance was assessed each quarter net of all portfolio transaction costs. The Trustee has not set portfolio turnover targets; the Trustee instead assess performance net of the impact of the costs of such activities. *DC Section* Transaction costs were assessed in the annual value for members assessment. As for the DB Section, the Trustee has not set portfolio turnover targets; the Trustee instead assess performance net of the impact of the costs of such activities.
15	The duration of the arrangement with the asset manager	Paragraph 4	New policy added in September 2020 which reflects current practice.

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<u>Engagement policy statement</u>

Paragraph 6 of the SIP sets out the Trustee’s policy on environmental, social and governance (ESG) considerations, including stewardship and climate change.

Engagement Activity During the Year

The following work was undertaken during the year to 5 April 2021 relating to the Trustee’s engagement activity on ESG factors, stewardship (including voting) and climate change. This summary also documents how the Trustee’s engagement and voting policies were followed and implemented during the year, where not already outline in the preceding section.

Activity	Date	Details
Trustee training	25 June 2020	At the June meeting, the Trustee Directors received training from Mercer on new regulations in respect of ESG and climate change reporting, including the Task Force on Climate-Related Financial Disclosures (TCFD). The key areas of the TCFD were considered (governance, strategy, risk management, metrics & targets).
Stewardship monitoring (DC Section)	10 September 2020	The Trustee considered the annual Stewardship Monitoring report prepared by the delegated investment manager, Mercer. This included reviewing: - Voting statistics, with a focus on vote execution and the quality of underlying manager disclosures. - Engagement activities of the underlying managers, with commentary on whether managers were engaging across environmental, social, and governance topics, and whether the managers provided clear rationale and outcomes for each engagement. Where areas for improvement were identified, the Trustee supported Mercer’s intent to follow up with the underlying managers in order to press for enhanced disclosures and / or changes to processes.
Engagement with Sponsor	Ongoing	During the year covered by this statement, as part of discussions at Trustee meetings and FRIC meetings, a need was identified to engage with the sponsoring employer on ESG matters. This session was arranged subsequent to the end of the Fund year (for 16 June 2021).
Investment manager engagement (DB Section)	28 January 2020 & 2 February 2020	The Trustee carried out two investment manager selection exercises during the Fund year. At these meetings, ESG considerations and the managers’ approaches in this area, and their engagement and voting practices (where relevant) were discussed and included in the decision-making process.
ESG monitoring	Quarterly throughout	The Fund’s investment performance report is reviewed by the Trustee each quarter and includes ratings (both general and specific to ESG) from the investment adviser. All of the managers remained generally highly rated during the year. Where managers may not be highly rated from an ESG perspective the Trustee will monitor those managers.

Voting Activity during the Fund year

The Trustee has delegated voting rights to the investment managers, and does 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 publicly listed equities during the year.

DB Section

The Fund has one listed equity manager (Baillie Gifford) within which voting rights are attached to the investments. In respect of the global equity call options, as these contracts do not represent physical exposure to equities, there are no voting rights associated with these investments.

DC Section

The Fund makes 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 hold publicly listed equities and are therefore the most relevant funds to consider in relation to voting activity.

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 are available, which provide 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.

Investment Manager Voting Disclosures

The Trustee has been provided with the voting disclosures relating to the funds listed above. These are summarised overleaf.

Underlying Manager / Funds	12 Months to 31 March 2021					
	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
DB Section						
Baillie Gifford Global Alpha Equity	114	1,264	93.8	97.0	2.4	0.7
DC Section						
Mercer Growth / Balanced Risk*	8,223	87,558	95.7	82.1	17.1	0.9
Mercer Diversified Growth*	8,223	87,558	95.7	82.1	17.1	0.9
Mercer Diversified Retirement	9,391	103,180	96.4	83.8	15.2	1.0
BlackRock Passive UK Equity	1,211	15,742	97.2	92.5	5.7	1.8
BlackRock Passive Overseas Equity	2,231	27,464	93.7	93.2	6.3	0.5
BlackRock Passive Global Equity (50:50)	3,201	40,054	94.9	92.8	6.2	1.0
BlackRock Passive Emerging Markets Equity	3,632	32,114	98.2	88.4	9.7	2.0

**Underlying equity holdings are the same for the Mercer Growth / Balanced Risk and Mercer Diversified Growth Funds, hence voting statistics are aligned.*
Source: Investment Managers. Totals may not sum due to rounding.

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Significant votes

The following tables provide an example from each portfolio used by the Fund of a voting issue that arose within one of the funds, that the manager deems significant.

Baillie Gifford Global Alpha Equity	
Company	Just Eat Takeaway.com
Item	Grant Board authority to issue shares up to 25% of issued capital
Date	14 May 2020
Criteria for assessing as significant	Baillie Gifford deemed this vote significant because they deviated from their usual approach. Typically, the manager will oppose authority to issue shares without pre-emption rights at the requested amount.
Vote	For the proposal.
Rationale	Baillie Gifford approved the proposal in light of the volatile Covid-19 related market environment at the time of the proposed share issuance, as they felt it was the best interests of all stakeholders to give the company greater flexibility to allocate and deploy capital.
Outcome	The resolution was passed.

Mercer Growth / Balanced Risk	
Company	Walmart Inc
Item	Shareholder proposal regarding report on single-use plastic shopping bags
Date	22 May 2020
Criteria for assessing as significant	There were three reasons why this was deemed a significant vote: - Walmart Inc is one of the top 20 holdings within the fund - The manager voted against management - The vote related to environmental considerations.
Vote	For the shareholder proposal (against management)
Rationale	The interest group "As You Sow" filed a proposal asking Walmart to phase out plastic bags in its retail stores. The group said Walmart distributes an estimated 18 billion to 20 billion single-use plastic bags per year, which contributes to plastic pollution. The manager supported the proposal as it asked Walmart to issue a report assessing the environmental impacts of continuing single-use plastic shopping bags, to include goals to phase them out. It was noted that a number of competitors had already banned plastic bags. The vote in favour was to seek for greater transparency from the company and to better understand its plans in this area.
Outcome	The proposal received the support of 17% of shareholders.

Mercer Diversified Growth	
Company	Barclays
Item	Shareholder proposal regarding climate change strategy
Date	30 April 2020
Criteria for assessing as significant	The vote related to a shareholder resolution with a specific focus on climate change, and was a vote against management.
Vote	The manager voted for the resolution (against management).
Rationale	The resolution asked the bank to phase out its financing of fossil fuel companies that are active agents in driving the climate crisis. The manager supported the resolution on the basis that the proposal would drive positive change on climate change risk management.
Outcome	The proposal received the support of 24% of shareholders.

Mercer Diversified Retirement	
Company	RIO Tinto Ltd
Item	Shareholder proposal on Paris Climate Agreement aligned emissions reduction targets.
Date	21 April 2020
Criteria for assessing as significant	The manager voted against management, and the vote related to a shareholder resolution with a specific focus on climate change, which the manager has set as a key priority area for company engagement.
Vote	For the shareholder proposal (against management)
Rationale	The manager believes that it would be in shareholder interests to adopt a binding emissions target, in order to manage long term risks through the setting of annual Greenhouse Gas emissions reduction targets, and ongoing reporting against these targets.
Outcome	37% of shareholders voted for the proposal. While the resolution therefore did not pass, its sponsor, environmental group Market Forces, reported that it attracted six times as much support as an identical one put up at the same meeting in the prior year.

BlackRock Passive UK Equity	
Company	Royal Dutch Shell plc (“Shell”)
Item	Shareholder proposal for Shell to publish greenhouse gas emissions targets. The proponent argued that Shell’s aim to reduce net carbon intensity by 50% by 2050 would not lead to the level of reduction needed to meet the goals of the Paris Agreement.
Date	19 May 2020
Criteria for assessing as significant	The vote related to environmental risks and opportunities and was a high profile topic.
Vote	BlackRock voted against the shareholder resolution.
Rationale	Since submission of the proposal, BlackRock note that Shell updated its commitments to more aggressively reduce its carbon footprint, and to become a “net-zero emissions” company by 2050 or sooner. This includes goals for different product areas for emissions, carbon footprint, and for the target consumer base. BlackRock considers that because no single oil & gas company is fully in control of the global energy mix, some of the called-for commitments would only be achievable if other stakeholders (e.g. policymakers) accelerate development and use of low-carbon technologies, incentivise more energy efficiency, reduce demand for fossil fuels, and remove emissions from the atmosphere. As a result, they did not vote for the proposal to place more extensive requirements on Shell at this stage.
Outcome	Shareholders slightly increased their support for the resolution to set further targets to reduce emissions, but the proposal was still voted down (i.e., the vote was in line with BlackRock’s vote). The resolution received c14% approval, up from 5.5% in 2019.

BlackRock Passive Overseas Equity	
Company	Chevron Corporation
Items	Report on Climate Lobbying Aligned with Paris Agreement Goals
Date	27 May 2020
Criteria for assessing as significant	Climate related voting has been highlighted by the underlying investment manager since environmental risks and opportunities represent one of their key stewardship themes. In this vote, shareholders filed a non-binding proposal requesting that Chevron report on how the company's direct and indirect lobbying align with the Paris Climate Agreement.
Vote	Chevron Corporation recommended that shareholders vote against this shareholder proposal. The manager voted for the proposal.
Rationale	The underlying manager, BlackRock, believes that greater transparency into the company’s approach to political spending and lobbying will help articulate consistency between private and public messaging in the context of managing climate risk.
Outcome	The resolution asking the company to produce a report disclosing the extent to which its lobbying aligns with the Paris Agreement achieved a 53% majority.

BlackRock Passive Global Equity (50:50)	
Company	Volvo AB
Item	Re-elect Directors; Re-elect Chairman; approve executive remuneration policy
Date	18 June 2020
Criteria for assessing as significant	BlackRock's key engagement priorities include board quality, environmental risks, and compensation that promotes long-termism. The items voted on covered these priorities, and as BlackRock voted against management, the votes were deemed significant.
Vote	BlackRock voted against all of the resolutions.
Rationale	Given significant climate risks for Volvo, BlackRock expect robust reporting on the governance around these risks and how they are incorporated in Volvo's business strategy. BlackRock notes that there is limited disclosure beyond headline metrics in public reporting, and no detail on oversight or its strategy to mitigate the impact of climate risk on its business. The company's climate-related risk disclosures do not meet BlackRock's expectations of a company exposed to significant climate risks. Furthermore, BlackRock had concerns regarding the amount of time some board members would be able to commit to the company. Finally, BlackRock has concerns about the structure of executive pay structures. As a consequence, BlackRock voted against the items listed.
Outcome	The votes passed. BlackRock will engage with the company on these matters.

BlackRock Passive Emerging Markets Equity	
Company	PT Indofood CBP Sukses Makmur Tbk ("ICBP"), a manufacturer of food products. It is also an indirect subsidiary of Hong Kong-listed First Pacific Company Limited (FPC) through Indofood Sukses Makmur (INDF).
Items	Approve acquisition of the total issued share capital of Pinehill Company Ltd.
Date	3 August 2020
Criteria for assessing as significant	Corporate strategy and capital allocation is one of BlackRock's five stewardship priorities, and BlackRock voted against management on this topic.
Vote	BlackRock voted against the resolution (against management)
Rationale	ICBP's board sought approval to acquire Pinehill Company Ltd, a private holding company that makes and distributes the Indomie brand of noodles. The proposed purchase was from an ICBP affiliate party Pinehill Corpora Ltd, which is 57% controlled by the President Director of ICBP, A Salim. Pinehill Corpora Ltd owns 51% of Pinehill Company Ltd, with the remainder owned by Steele Lake Ltd. The transaction was valued at c$3 billion in cash and under Indonesian regulations, this was considered an affiliated party transaction given Mr Salim's roles and holdings in the various entities. BlackRock considered that whilst the acquisition had some merit, it was in clients' interests to vote against the acquisition due to concerns regarding the valuation and terms of the transaction, and the board's oversight in relation to the conflict of interest.
Outcome	BlackRock escalated concerns to relevant parties in the Indonesian market and have proposed opening a dialogue to discuss minority shareholder protections. In addition, to address what BlackRock deem a failure in governance, they intend to hold current Board of Directors and Board of Commissioners accountable by voting against their reelection at future shareholder meetings.