

CPL 1972 Pension Plan

**Annual Implementation  
Statement – Scheme year  
ending 30 June 2022**

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## 1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the CPL 1972 Pension Plan (“the Plan”) covering the scheme year (“the year”) to 30 June 2022.

The purpose of this statement is to set out:

- Set out how, and the extent to which, in the opinion of the trustees, the Plan’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Plan makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Plan’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement will be made available on the following website:

<https://www.icl-uk.uk/about/>

## 2. Voting and engagement

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Fiduciary Manager produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Plan's portfolio) on an annual basis. These reports form part of the Trustee's ongoing portfolio monitoring. The Trustee last reviewed these reports in August 2022, which focused on the Plan's holdings in the Towers Watson Investment Management (TWIM) Global Equity Focus Fund and the TWIM Core Diversified Credit Fund.

### Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Plan's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Plan's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The Plan is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Plan's equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the tables below.

Further information on the voting and engagement activities of the managers is provided in the tables below.

The Plan's equity holdings are invested across four pooled funds:

- TWIM Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- AMX UCITS CCF - SSGA - Heitman Global Prime Property Securities Index Fund – a passive global equity fund focussed on equity related to prime properties
- AMX UCITS CCF – SSGA – Infrastructure Equity MFG Index Fund – a passive global equity fund focusses on equity related to infrastructure companies

- Mercer Global Small Cap Equity Fund – an active equity fund focused on small capitalisation equities and equity-related securities

In addition, the Plan held a number of equity funds with the previous Fiduciary Manager, Mercer Limited (Mercer), that had been sold by the end of the year. Details on these funds are also shown below.

As outlined above, the Plan is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM and the funds held with Mercer. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Plan's investment managers could impact the investment manager's ability to generate the best investment outcome for the Plan and ultimately, the Plan's members.

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment managers. The Fiduciary Manager has assessed the investment managers' voting policies as part of its overall assessment of the investment manager's capabilities. The Fiduciary Manager considered the policies to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the members.

Additional oversight on the implementation of this policy is provided through the Fiduciary Manager's partnership with EOS at Federated Hermes. Consistent with the Trustee's view that ESG factors can have a significant impact on investment returns, votes on a range of ESG risks including climate change and human and labour rights are shown below.

#### **TWIM Global Equity Focus Fund**

<b>Voting activity</b>	Number of votes eligible to cast:	145		
	Percentage of eligible votes cast:	100%		
	Percentage of votes with management:	88%		
	Percentage of votes against management:	11%		
	Percentage of votes abstained from:	2%		
<b>Most significant votes cast</b>	<b>Company</b>	Citigroup Inc.	Dell Technologies Inc.	Workday, Inc.
	<b>Size of holdings</b>	0.27%	0.7%	0.5%

	<b>Resolution</b>	Report on respecting indigenous peoples' rights	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Omnibus Stock Plan
	<b>Vote Cast</b>	For	Against	Against
	<b>Rationale for voting decision</b>	The bank and its shareholders are likely to benefit from increased transparency regarding due diligence around Indigenous Peoples' rights in project-related financing and clients' activities, for existing and future business.	Voted with Hermes – based on apparent failure to link pay & appropriate performance.	The request would be excessively dilutive to outside shareholders.
	<b>Implications of the outcome (any lessons learned and likely future steps)</b>	Social issues are important for sustainability for any company, particularly for a bank as it affects large parts of communities and the economy. We advocate greater transparency in the company's policies.	The fund manager will share these best practices with other portfolio companies.	Investors are likely voting in line with management recommendations and not taking a closer look at dilution. We will likely continue to vote against the compensation scheme in place.
	<b>Outcome of vote</b>	Fail	For	For
<b>Use of proxy voting</b>	EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.			

### Heitman Global Prime Property Securities Index Fund

<b>Voting activity</b>	Number of votes eligible to cast:	900
	Percentage of eligible votes cast:	100%
	Percentage of votes with management:	90%

	Percentage of votes against management:	10%
	Percentage of votes abstained from:	0%
<b>Most significant vote cast</b>	<b>Company</b>	Pebblebrook Hotel Trust
	<b>Size of holdings</b>	1.2%
	<b>Resolution</b>	Advisory Vote to Ratify Named Executive Officers' Compensation
	<b>Vote Cast</b>	Against
	<b>Rationale for voting decision</b>	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
	<b>Outcome of vote</b>	Against
<b>Use of proxy voting</b>	AMX has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.	

#### Infrastructure Equity MFG Index Fund

<b>Voting activity</b>	Number of votes eligible to cast:	1,060
	Percentage of eligible votes cast:	98%
	Percentage of votes with management:	83%
	Percentage of votes against management:	16%
	Percentage of votes abstained from:	0%
	<b>Company</b>	SNAM SpA

<b>Most significant vote cast</b>	<b>Size of holdings</b>	2.91%
	<b>Resolution</b>	Accept Financial Statements and Statutory Reports
	<b>Vote Cast</b>	Against
	<b>Rationale for voting decision</b>	Inadequate management of climate-related risks
	<b>Outcome of vote</b>	For
<b>Use of proxy voting</b>	AMX has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.	

#### Summary of Mercer Voting Activity:

Fund Name	Total Proposals	Vote Decision					For/Against Management	
		For	Against	Abstain	No Action	Other	For	Against
Mercer Global Small Cap Equity Fund	7,395	91%	6%	1%	2%	0%	92%	8%
Mercer Global Listed Infrastructure Fund	291	78%	10%	12%	0%	0%	83%	17%
Mercer Low Volatility Equity Fund	8,506	92%	7%	0%	1%	0%	92%	8%
Mercer Sustainable Global Equity Fund	5,741	85%	13%	1%	1%	0%	87%	13%
MGI Emerging Markets Equity Fund	8,945	83%	14%	3%	0%	0%	85%	15%
MGI Eurozone Equity Fund	5,023	85%	13%	2%	0%	0%	86%	14%
MGI UK Equity Fund	1,093	99%	1%	0%	0%	0%	99%	1%
Mercer Fundamental Indexation Global Equity CCF	2,305	84%	13%	0%	2%	0%	80%	20%

#### Global Small Cap Equity

<b>Most significant vote cast</b>	<b>Company</b>	Dena Co Ltd
	<b>Size of holdings</b>	1%



	<b>Resolution</b>	Management Proposal Regarding the Election of Directors
	<b>Vote Cast</b>	Against
	<b>Outcome of vote</b>	For

Mercer Global Investments Europe Limited accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2021:

- Engagements with over 1,200 companies on a total of 4,154 issues and objectives representing assets under advice of \$1.64tn.
- 64 responses to consultations or proactive equivalents and 71 discussions with relevant regulators and stakeholders.
- Voting recommendations in relation to over 128,000 resolutions, with over 20,000 being against management.
- Active participation in a number of stewardship initiatives including Climate Action 100+, PRI, Investor Alliance for Human Rights and the International Corporate Governance Network.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave;
- Co-founding the Net Zero Investment Consultants Initiative with eleven other investment consultants in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

### **3. Conclusion**

The Trustee considers that all SIP policies and principles were adhered to during the year.