

CPL 1972 Pension Plan

**Annual Implementation  
Statement – Scheme year  
ending 30 June 2023**

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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 2023.

The purpose of this statement is to set out:

- Set out how, and the extent to which, in the opinion of the trustee, 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 the trustee (including the most significant votes cast by trustee 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, focusing 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 policies and processes described above have impacted the Plan's investments in numerous ways. To focus on one, we note the Global Equity Focus Fund, in which the Plan invests, has an Article 8 Sustainable Finance Disclosure Regulation designation.

This covers a Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements. The Investment Manager intends for these Sub-Funds to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio and continue beyond that time to further reduce greenhouse gases from the portfolio with an aim of net zero emissions by 2050. Progress is measured using multiple climate metrics.

### 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
- An active Chinese A-Shares Value equity strategy

We note that the Plan transitioned out of a small equity holding with the previous Fiduciary Manager during the year, as this doesn't form a part of the Plan's portfolio going forward, we have excluded it from the below section.

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 Global Equity Focus Fund and the China equity strategy. 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 are shown below.

**TWIM Global Equity Focus Fund**

<b>Voting activity</b>	Number of votes eligible to cast:	3227		
	Percentage of eligible votes cast:	98%		
	Percentage of votes with management:	87.2%		
	Percentage of votes against management:	12.0%		
	Percentage of votes abstained from:	0.8%		
	% of eligible meetings voted against management at least once	59.3%		
	% of resolutions voted contrary to proxy advisor	9.6%		
<b>Most significant votes cast</b>	<b>Company</b>	HCA Healthcare, Inc.	Berkshire Hathaway	Workday
	<b>Size of holdings</b>	1.3%	1.0%	1.1%
	<b>Resolution</b>	Report on Political Contributions and Expenditures	Climate risk disclosure	Advisory Vote to Ratify Named Executive Officers' Compensation
	<b>Vote Cast</b>	For	For	Against
	<b>Rationale for voting decision</b>	The manager supports the shareholder proposal to appropriately strengthen HCA's transparency and disclosures around political contributions.	The manager voted in support of audit committee responsibility for climate risk disclosure believing the significance of leadership on this issue over-rided the minor cost and inconvenience of compliance. Given the company already has disclosure representing 90% of emissions, and given the company's long-earned reputation for ethical stewardship, awaiting SEC guidance seems an inadequate delayed response. The manager voted against management but in line with ISS recommendations	The executive pay program continues to lack a strong connection to objective performance criteria.
	<b>Implications of the outcome (any lessons learned and likely future steps)</b>	The manager believes that greater disclosures that do not jeopardize a company's operations / execution are important for shareholders to assess underlying	The manager was disappointed in the voting outcome and wrote to the CEO expressing their view that climate risk transparency is an important issue and encouraging the company to take a more leadership role rather than await for policy guidance. The manager will vote FOR similar proposals in the future.	Continue to monitor executive pay and alignment with performance.

		issues and controversies.		
	<b>Outcome of vote</b>	Fail	Fail	Approved
<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 'Proxy Exchange' 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:	947
	Percentage of eligible votes cast:	95.1%
	Percentage of votes with management:	93.6%
	Percentage of votes against management:	6.4%
	Percentage of votes abstained from:	0.1%
	% of eligible meetings voted against management at least once	52.6%
	% of resolutions voted contrary to proxy advisor	7.9%
<b>Most significant vote cast</b>	<b>Company</b>	Goodman Group
	<b>Size of holdings</b>	1.5%
	<b>Resolution</b>	Approve Remuneration Report
	<b>Vote Cast</b>	Abstain
	<b>Rationale for voting decision</b>	This proposal merits qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.
	<b>Outcome of vote</b>	Pass
<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:	1,216
	Percentage of eligible votes cast:	100%
	Percentage of votes with management:	85%
	Percentage of votes against management:	14%
	Percentage of votes abstained from:	0%
	% of eligible meetings voted against management at least once	75%
	% of resolutions voted contrary to proxy advisor	1%
<b>Most significant vote cast</b>	<b>Company</b>	National Grid Plc
	<b>Size of holdings</b>	3.2%
	<b>Resolution</b>	Compensation
	<b>Vote Cast</b>	Against
	<b>Rationale for voting decision</b>	Apparent failure to link pay and appropriate performance
	<b>Outcome of vote</b>	Pass
<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.	

## Active Chinese equity

<b>Voting activity</b>	Number of votes eligible to cast:	223
	Percentage of eligible votes cast:	100%
	Percentage of votes with management:	82%
	Percentage of votes against management:	13%
	Percentage of votes abstained from:	5%



	% of eligible meetings voted against management at least once	54%
	% of resolutions voted contrary to proxy advisor	6%
<b>Most significant vote cast</b>	<b>Company</b>	Contemporary Amperex Technology Co., Ltd.
	<b>Size of holdings</b>	0.09%
	<b>Resolution</b>	Approve Draft and Summary of Stock Option Plan and Performance Share Incentive Plan
	<b>Vote Cast</b>	Against
	<b>Rationale for voting decision</b>	Directors eligible to receive options and performance shares under the scheme are involved in the administration of the scheme. This present a potential conflict of interest. Further, the fairness of the plan is questionable due to the fact that the performance hurdles are established in the second half of the year but factor performance from the first half.
<b>Use of proxy voting</b>	We use Institutional Shareholder Services' online voting platform to execute votes electronically. We also use their benchmark research as a screening tool before implementing our own Proxy Voting and Governance Policy.	

#### 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 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

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;
- Being a founding member of The Diversity Project
- 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.