

# ICL Group Pension Plan (“the Plan”) Implementation Statement for the DB Section

## Introduction

This Statement sets out how the Statement of Investment Principles (‘SIP’) for the DB Section of the Plan has been followed during the year to 31 March 2021. This Statement has been produced in accordance with new regulatory requirements now in force and the guidance published by the Pensions Regulator.

## Investment Objectives



The primary objective of the Plan Trustee is to invest the Plan’s assets in the best interest of the members and beneficiaries.

The financial objective of the Plan Trustee is to target an expected return that is sufficient to support the requirements of the Technical Provisions and the current Deficit Recovery Plan, and to adopt an investment strategy which is consistent with the financial objective.

## Review of the SIP

During the year, the Trustee reviewed the SIP, and revisions were made to reflect the new requirements under the Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2019, relating to the following:

1. How the arrangements with asset managers incentivise them to align their investment strategy and decisions with the Trustee’s policies in the SIP.
2. How the arrangements incentivise the asset managers to make decisions based on medium to long-term financial and non-financial performance of an equity and/or debt issuer and to use engagement to improve their performance in the medium to long-term.
3. How the method (and time horizon) of the asset manager’s evaluation is in line with the Trustee’s policies in the SIP.
4. How the Trustee monitors portfolio turnover costs incurred by the asset manager and how those managers define and monitor this.
5. The duration of the arrangement with the asset managers.

Changes were also made to reflect the longevity hedging transaction, including the need to hold some of the Plan assets separately from the Common Investment Fund to collateralise the longevity swap.

### Sustainable Investment, ESG and Stewardship

The Trustee considers sustainable investment issues, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, and effective stewardship, in the context of a broad risk management framework. The Trustee believes that integrating sustainable investment into its processes and decision making should lead to better outcomes for Plan members, including by helping to manage regulatory and reputational risks. The information below provides some key highlights:



# All

Of the managers are signatories to the United Nations Principles of Responsible Investment



# 9

Out of 11 managers are signatories to the UK Stewardship Code



# 100%

of managers confirmed compliance with the SIP

### Voting activity

Voting activity information from the sole equity manager over the period is summarised in the table below. Examples of a couple of significant votes that have been cast by the investment manager are also summarised below.

The investment manager did make use of proxy voting services to analyse vote issues and make recommendations. They are not obliged to follow these recommendations and vote all proxies based on their own voting policies.

➤ How many meetings were you eligible to vote at?	90
➤ How many resolutions were you eligible to vote on?	1,295
➤ What % of resolutions did you vote on for which you were eligible?	100%
➤ Of the resolutions on which you voted, what % did you vote with management?	93%
➤ Of the resolutions on which you voted, what % did you vote against management?	7%
➤ Of the resolutions on which you voted, what % did you abstain from voting?	1%
➤ In what % of meetings, for which you did vote, did you vote at least once against management?	31%
➤ What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	N/A

#### Significant Votes – The Walt Disney Company

On 11 March 2020, MFS voted against a resolution to ratify a named executive officer’s compensation.

This was due to concerns around the structure and magnitude of the executive pay program. The vote was not passed, and MFS continue to engage on the topic.

#### Significant Votes – Comcast Corporation

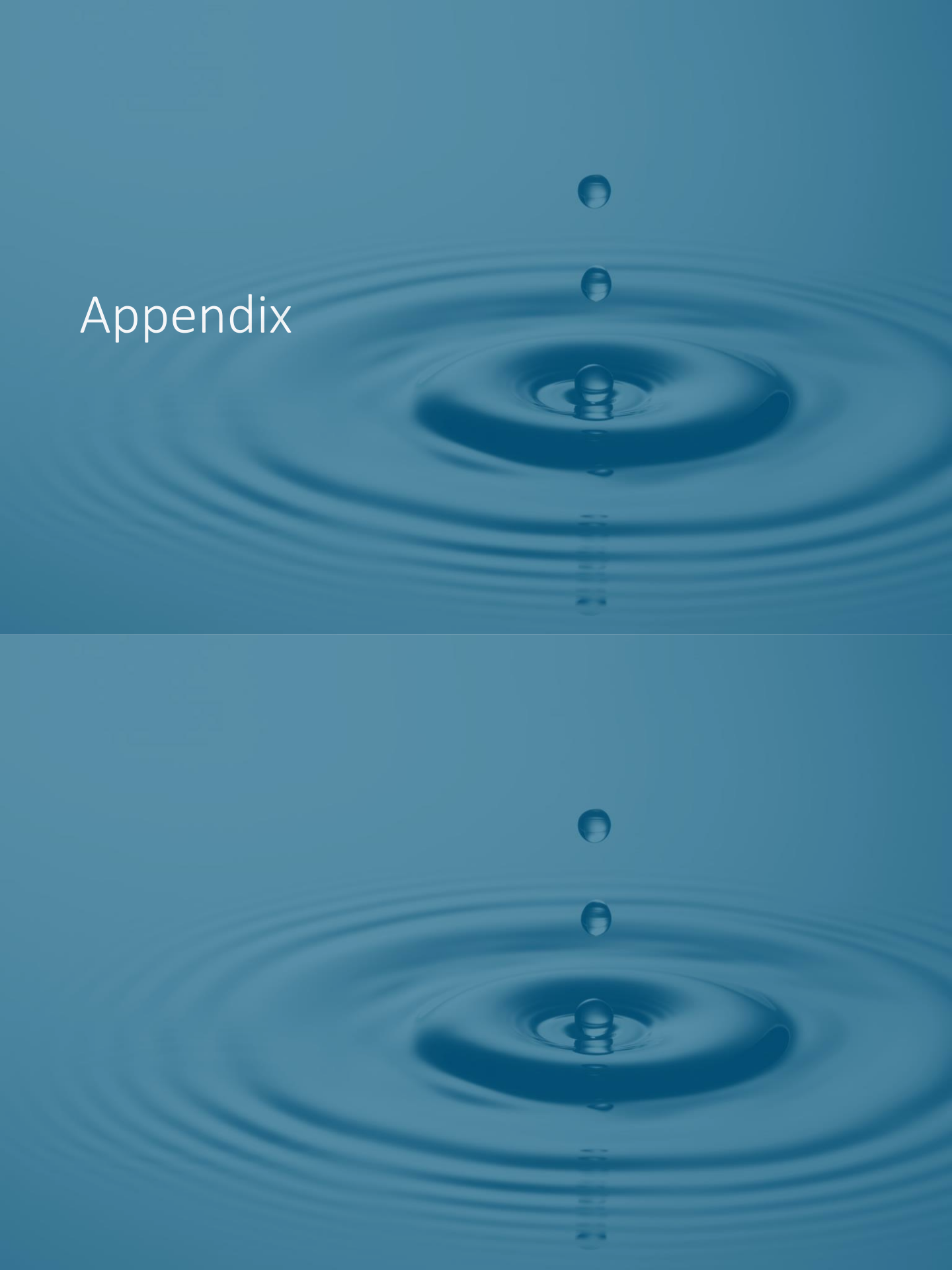
On 3 June 2020, MFS voted to support an independent chair of the company board.

Due to the size and complexity of the organisation, MFS believe an independent chair would be in the best, long-term interest for shareholders. It was agreed this would occur upon the next transition of CEO.

### Assessment of how the policies in the SIP have been followed for the year to 31 March 2021

The information provided in the appendix highlights the work undertaken by the Trustee during the year and sets out how this work followed the Trustee policies in the SIP.



# Appendix



# Statement of Investment Principles (SIP)





The table outlines the policies in the SIP for the DB Section of the Plan and explains how these have been implemented for the year to 31 March 2021

	Policy	In the year to 31 March 2021
<p><b>Governance</b></p> 	<p>The Plan Trustee is responsible for the overall investment arrangements and has delegated specific responsibilities to a Joint Investment Committee (JIC).</p> <p>In addition, the CIF Trustee is responsible for the CIF and also delegates certain responsibilities to the JIC.</p> <p>The terms of reference for the JIC specifies details of the terms of delegation to the JIC by both the Plan Trustee and the CIF Trustee.</p> <p>The JIC delegates a number of pre-defined activities to the Investment Executive (IE).</p>	<p>Over the year under review, the JIC has performed their duties in line with the activities set out in their terms of reference.</p> <p>The terms of reference for the JIC were reviewed and updated during the year.</p> <p>In addition, the business plan covering investment and other issues, including the expected activities and aspirations, over the period under review was updated.</p> <p>The IE performed their duties delegated to them by the JIC in line with the activities set out in the process documents for exercising delegated responsibilities.</p>
<p><b>Process for Choosing Investments</b></p> 	<p>The process adopted for choosing investments is set out in the SIP.</p> <p>In considering the appropriate investments written advice is provided by the IE.</p>	<p>The process for choosing investments over the period under review was consistent with the SIP, and with the investment beliefs, and written advice was provided by the IE.</p> <p>The JIC introduced a lower risk multi-asset credit mandate over the period. The process adopted to introduce both the asset class and the relevant investment manager was consistent with the process for choosing investments set out in the SIP.</p>

# Statement of Investment Principles (SIP)



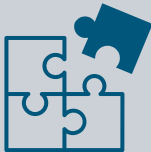

The table outlines the policies in the SIP for the DB Section of the Plan and explains how these have been implemented for the year to 31 March 2021

	Policy	In the year to 31 March 2021
<b>Investment objectives and investment strategy</b> 	<p>The primary objective of the Plan Trustee is to invest the Plan's assets in the best interest of the members and beneficiaries.</p> <p>The financial objective of the Plan Trustee is to target an expected return that is sufficient to support the requirements of the Technical Provisions and the current Deficit Recovery Plan, and to adopt an investment strategy which is consistent with the financial objective.</p> <p>In addition, the Plan Trustee has entered into a Memorandum of Understanding (MoU) with the sponsor which covers matters such as the sponsor's investment risk tolerance.</p>	<p>The JIC reviews the ongoing appropriateness of the investment policy and return objective on a regular basis through the quarterly reporting provided by the IE.</p> <p>In addition, the JIC reviews the risk of the investment policy (in line with the measure stated in the MoU with the sponsor) as part of the quarterly reporting.</p>
<b>Risk management and measurement</b> 	<p>There are various risks to which the Plan is exposed, and the approach to managing these risks is set out in the SIP.</p>	<p>The Plan Trustee (through the JIC) manage risks by setting an appropriate investment strategy, use suitably qualified and experienced providers, diversify the investment arrangements and perform regular monitoring.</p> <p>The volatility of the investment strategy and the key sources of risk have been monitored in the quarterly investment reports over the period under review.</p>

# Statement of Investment Principles (SIP)





The table outlines the policies in the SIP for the DB Section of the Plan and explains how these have been implemented for the year to 31 March 2021

	Policy	In the year to 31 March 2021
<p><b>Portfolio construction</b></p> 	<p>The Plan Trustee has adopted a control framework in structuring the Plan’s investments which is set out in the SIP.</p>	<p>Any enhancements to the investment policy over the period have been made in line with the control framework adopted.</p>
<p><b>Day-to-day management of the assets</b></p> 	<p>The JIC (as a delegate of the CIF Trustee &amp; the Plan Trustee) delegates the day to day management of the Plan’s DB assets to a number of investment managers, and regularly reviews the continuing suitability of investments including the appointed managers.</p> <p>The JIC seek long-term, ongoing partnerships with their investment managers to incentivise medium to long-term financial and non-financial performance, and each manager is requested to conform to the Plan’s Statement of Investment Principles.</p> <p>The JIC reviews the turnover and ongoing investment costs on an annual basis using current industry standard templates.</p>	<p>The JIC has met with each of the investment managers over the period under review to assess their performance and capabilities, and to review the turnover and ongoing investment costs in the portfolios. The JIC reaffirmed that it is comfortable with all of the manager appointments, albeit one manager was terminated due to strategic reasons.</p> <p>The JIC is happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long term financial and non-financial performance.</p> <p>Performance expectations have been linked to the objectives of each mandate. Where possible, mandates have been structured with a longer-term objective or “buy &amp; maintain” approach to encourage “investing” over “trading” and are assessed as such.</p> <p>The investment managers have confirmed compliance with the Plan’s SIP over the period under review.</p>

# Statement of Investment Principles (SIP)



The table outlines the policies in the SIP for the DB Section of the Plan and explains how these have been implemented for the year to 31 March 2021


	Policy	In the year to 31 March 2021
<p><b>Expected Return</b></p> 	<p>The Plan Trustee expects the investment policy to generate a return, over the long term, that is sufficient to support the assumptions underpinning the current Deficit Recovery Plan.</p>	<p>The investment policy continues to support the assumptions underpinning the current Deficit Recovery Plan.</p> <p>The excess return of the investment policy is determined at each quarter-end and reported in the performance monitoring report prepared on a quarterly basis by the IE for the JIC, along with the required return determined by the Plan Actuary at the same date.</p>
<p><b>Realisation of investments</b></p> 	<p>The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.</p>	<p>The majority of the investments are held in segregated mandates or pooled investment vehicles with regular dealing cycles. The majority of the assets held are publicly traded assets. Where investments have been made in less liquid or illiquid assets the JIC has considered the suitability of this based on advice from the IE.</p> <p>The JIC monitors the liquidity requirements associated with the liability hedging mandate on a quarterly basis and seeks to maintain a prudent level of collateral to support this mandate.</p> <p>A review of the expected cashflow requirements over the next 10-years is undertaken on an annual basis.</p>



# Statement of Investment Principles (SIP)




The table outlines the policies in the SIP for the DB Section of the Plan and explains how these have been implemented for the year to 31 March 2021

	Policy	In the year to 31 March 2021
<p data-bbox="150 405 440 468"><b>Environmental, Social, Governance (ESG) risks</b></p> 	<p data-bbox="523 396 1174 578">The Plan Trustee and the JIC consider sustainable investment issues, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, and effective stewardship, in the context of a broad risk management framework.</p> <p data-bbox="523 602 1174 753">The Plan Trustee and the JIC believe that integrating sustainable investment into its processes and decision making should lead to better outcomes for Plan members, including by helping to manage regulatory and reputational risks</p> <p data-bbox="523 778 1174 992">The JIC's policy is that day-to-day decisions relating to the selection, retention and realisation of Plan assets is left to the discretion of its investment managers. Furthermore, the JIC expects the investment managers to consider ESG issues and explores these issues with its managers to understand how they exercise these duties in practice and receive reports on how these issues are addressed.</p> <p data-bbox="523 1016 1174 1168">When considering the appointment of new managers, and reviewing existing managers, the JIC, together with the IE, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.</p>	<p data-bbox="1201 396 1837 611">The evaluation of how the investment managers identify and manage material ESG risks including climate change, along with the quality of their stewardship activities, form part of the JIC's and the IE's ongoing appraisal of the manager's appointment. In addition, the JIC discuss ESG issues with the investment managers during their annual review meeting.</p> <p data-bbox="1201 635 1837 821">The IE provide an annual Stewardship &amp; Engagement Report to the JIC with an assessment of the investment managers' ESG policies and how these have been implemented over the year, and summarising the engagement and voting activity (where relevant) for each manager to be assessed by the JIC.</p> <p data-bbox="1201 845 1850 1120">The Plan has nil exposure to listed equities at year-end, and the voting records of the relevant manager over the period until termination is summarised in the Stewardship &amp; Engagement Report. The JIC does not use the direct services of a proxy voter. The relevant investment manager makes use of proxy voting services to analyse vote issues and make recommendations. They are not obliged to follow these recommendations and vote all proxies based on their own voting policies.</p>

# Statement of Investment Principles (SIP)



The table outlines the policies in the SIP for the DB Section of the Plan and explains how these have been implemented for the year to 31 March 2021

	Policy	In the year to 31 March 2021
<b>Monitoring &amp; reporting</b> 	<p>The appointment of the investment managers will be reviewed by the JIC and the Plan Trustee, based on the results of their monitoring of performance and process.</p> <p>The CIF Trustee and the investment managers have been provided with a copy of the SIP and the JIC will monitor the extent to which the investment managers give effect to the policies set out in it.</p> <p>The Custodian is used as an external independent performance monitoring agency to consider the Plan's and managers' performance against the benchmarks for the Defined Benefit section. In addition, the JIC believes that custodian services are a vital part of the management of the Defined Benefit Section's assets and recognise the importance of monitoring the custodial arrangements.</p>	<p>The JIC has met with each of the investment managers over the period under review to satisfy themselves that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Plan.</p> <p>Investment manager performance is assessed on a net of fees basis.</p>



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