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 2023. This Statement has been produced in accordance with the regulatory requirements in force and the guidance published by the Pensions Regulator.

The investment managers have been assessed according to policies set out in the SIP. **In summary, the Trustee believes that:**

a) the policies outlined in the SIP have been adhered to over the Plan year; and

b) the investment managers are adhering to the Trustee’s policies on ESG, engagement and voting.

Review of the SIP

During the year, the Trustee reviewed the SIP for the Plan. Revisions were made to reflect the following:

1. The transfer of the Defined Contribution ("DC") section to the Fidelity Master Trust in December 2022. As such, the section on the DC assets was removed from the SIP.
2. Amendments to the Additional Voluntary Contributions ("AVCs"). These assets were transferred to the Fidelity Master Trust in November 2022 and no AVC related assets remain under the Plan.
3. Changes to the investment Objective such that an expected return sufficient to reach full funding by January 2027, with a tolerable level of risk, should be targeted for the Plan.
4. The introduction of stewardship priorities for the Plan, agreed by the Trustee and in line with the guidance from the Department for Work and Pensions (DWP). These are included in further detail on page 3. The Investment Executive ("IE") will report on the impact of stewardship and engagement activity in respect of these priorities going forward.

Investment Objectives and Investment Strategy

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.

The investment strategy is highly diversified across a range of asset classes, in both public and private markets and is implemented using a number of investment managers.

The investment strategy is kept under regular review. Earlier in the year, revisions were made to the timeframe of the Investment Objective, such that it was expected that full funding on the Technical Provisions basis would be achieved by 31 January 2027.

Collateral Resilience

Following the turmoil in investment markets as a result of the gilt crisis in September and October 2022, several changes were made to the investment policy to ensure a sufficient level of collateral resilience was achieved to support the liability hedging portfolio.

This included capital being raised by trimming the allocation to liquid credit assets and the termination of several mandates. In addition, the liability hedge ratios were reduced, and the liability hedging arrangements were restructured to ensure a sufficient level of collateral resilience was achieved. The liability hedge ratios were subsequently increased, albeit not to the levels achieved pre-gilt crisis.

Post the events of the gilt-crisis, it was agreed that the Plan should target a sufficient level of collateral in cash and gilts to withstand rises in interest rates of c.400bps, and to ensure that sufficient other liquid assets were held (i.e. IG Credit) to be able to withstand a c.800bps rise in interest rates.

Rebalancing Framework

In March 2023, the legacy framework used for rebalancing was amended to reflect the limited scope to realign the allocations following the changes to the investment policies that took place during and after the gilt crisis. In particular, it was agreed that the Plan would no longer maintain a strategic 'target' allocation and instead, rebalancing decisions would be made based on a qualitative basis. Factors such as expected excess return, tracking against the funding target, and collateral headroom would be considered, and rebalancing decisions made accordingly.

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 has set the following ESG factors representing the Plan's stewardship priorities:

- Climate Change with a focus on disclosure and reporting;
- Modern Slavery; and
- Diversity and Inclusion.

Whilst the Plan's investment managers are given full discretion in exercising stewardship obligations relating to the Plan's investments, they are expected to prioritise stewardship and engagement activities in relation to the Plan's stewardship priorities. Further detail on the implementation of these priorities is included in the appendix.

The Trustee believes that integrating sustainability into its processes and decision making, with a focus on the Plan's stewardship priorities, 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

(as at May 2023)

7

Out of 9 managers are signatories to the UK Stewardship Code

(as at May 2023)

100%

of the managers are adhering to the Trustee's policies on ESG and engagement, as set out in the SIP

Assessment of how the policies in the SIP have been followed for the year to 31 March 2023

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

Important notices

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- Past performance is not generally indicative of future performance.
- Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of the investments.

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ICL Group Pension Plan ("the Plan")

Implementation of the Statement of Investment Principles for year ended 31 March 2023

Richard Cooper & Raj Goswami

July 2023

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 2023

	Policy	In the year to 31 March 2023
Governance	The Plan Trustee is responsible for the overall investment arrangements and has delegated specific responsibilities to a Joint Investment Committee (JIC). In addition, the CIF Trustee is responsible for the CIF and also delegates certain responsibilities to the JIC. 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. The JIC delegates a number of pre-defined activities to the Investment Executive (IE).	Over the year under review, the JIC has performed their duties in line with the activities set out in their terms of reference. The terms of reference for the JIC were reviewed and updated during the year. In addition, the business plan covering investment and other issues, including the expected activities and aspirations, over the period under review was updated. 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.
Process for Choosing Investments	The process adopted for choosing investments is set out in the SIP. In considering the appropriate investments written advice is provided by the IE.	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. Over the 12 months to 31 March 2023, the JIC made commitments to the latest vintages of the private lending mandates managed by Angelo Gordon and Arcmont (Direct Lending Fund V and Direct Lending Fund IV respectively).

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 2023

	Policy	In the year to 31 March 2023
Investment objectives and investment strategy	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. 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.	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. 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. Earlier in the year, revisions were made to the timeframe of the Investment Objective, such that it was expected that full funding on the Technical Provisions basis would be achieved by 31 January 2027. Several changes were made to the investment policy during the gilt-crisis in September and October 2022 to raise liquidity to top-up the collateral pool supporting the liability hedging portfolio. Furthermore, the liability hedging exposures were restructured to ensure a sufficient level of collateral resilience was achieved. Further details of the changes are set out in the next section.

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 2023

	Policy	In the year to 31 March 2023
Risk management and measurement	There are various risks to which the Plan is exposed, and the approach to managing these risks is set out in the SIP.	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. 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. Following the turmoil in investment markets as a result of the gilt crisis in September and October 2022, several changes were made to the investment policy to ensure a sufficient level of collateral resilience was achieved to support the liability hedging portfolio. This included capital being raised by trimming the allocation to liquid credit assets and the termination of several asset mandates. In particular, the mandates terminated were the IG Credit portfolios managed by Janus Henderson and Royal London, along with the Emerging Market Debt mandate managed by Lazard, the Mercer Multi-Asset Credit mandate and the M&G Secure Income mandate (albeit the assets with M&G were transferred on an in-specie basis to Insight in January 2023). In addition, the liability hedge ratios were reduced to c.75% of the legacy hedge, and the liability hedging arrangements were restructured (from a pro-rata to a long-dated hedge) to ensure a sufficient level of collateral resilience was achieved. The liability hedge ratios were subsequently increased, albeit not to the levels achieved pre-gilt crisis. The IG credit holdings that remained were consolidated with Insight (including assets that were transferred on an in-specie basis from Janus Henderson and Royal London). This helped to facilitate the use of corporate bond repo to further support the liquidity requirements for the Plan. In particular, corporate bond repo was performed on a portion of the IG Credit assets to raise cash to top-up the collateral pool. Post the events of the gilt-crisis, it was agreed that the Plan should target a level of collateral sufficiency to withstand an increase in interest rates of 250bps in cash/gilts, 400bps in cash/gilts and cash raised from credit repo, and c.800bps in other liquid assets (i.e. IG Credit).

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 2023

	Policy	In the year to 31 March 2023
Risk management and measurement (continued)	There are various risks to which the Plan is exposed, and the approach to managing these risks is set out in the SIP.	Post scheme year end, the Pensions Regulator issued guidance, recommending schemes maintain a minimum of c.250bps resilience, and a further operational buffer to withstand an additional c.250bps rise in interest rates. Earlier in the year, the benchmarks for the liability hedging portfolios were updated to reflect the latest interest rate and inflation sensitivities in the liabilities. In March 2023, the legacy framework used for rebalancing was amended to reflect the limited scope to realign the allocations following the changes to the investment policies that took place during and after the gilt crisis. In particular, it was agreed that the Plan would no longer maintain a strategic 'target' allocation and instead, rebalancing decisions would be made based on a qualitative basis. Factors such as expected excess return, tracking against the funding target, and collateral headroom would be considered, and rebalancing decisions made accordingly.

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 2023

	Policy	In the year to 31 March 2023
Portfolio construction	The Plan Trustee has adopted a control framework in structuring the Plan's investments which is set out in the SIP.	Any enhancements to the investment policy over the period have been made in line with the control framework adopted.
Day-to-day management of the assets	The JIC (as a delegate of the CIF Trustee & 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. 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. The JIC undertake the governance and reporting requirements relating to climate related risks and the Task Force on Climate-Related Financial Disclosures ("TCFD"). The JIC reviews the turnover and ongoing investment costs on an annual basis.	The JIC has met with each of the investment managers over the period under review to assess their performance and capabilities. The JIC reaffirmed that it is comfortable with all of the manager appointments. The specialist provider appointed by the JIC to report on the transaction and ongoing investment costs of the Plan's managers have produced their second set of cost and benchmarking reports, which is reviewed on an annual basis. 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. Performance expectations have been linked to the objectives of each mandate. Where possible, mandates have been structured with a longer-term objective or "buy & maintain" approach to encourage "investing" over "trading" and are assessed as such. Data on carbon and non-carbon based metrics has been collected by the IE and will be presented as part of the second annual TCFD report. Revisions to the metrics and targets include the inclusion of scope 3 emissions (where available) in the carbon data, the new 4^{th} metric (being the number of companies in the portfolio with SBTi ("Science Based Targets initiative") targets in place, as well progress towards the target to increase the number of climate-related engagements over the next 3 years, relative to the baseline set for engagements over the calendar year 2021, by 25%. The investment managers are adhering to the Trustee's policies as set out in the SIP over the period under review.

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 2023

	Policy	In the year to 31 March 2023
Expected Return	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.	The investment policy seeks to support the assumptions underpinning the current Deficit Recovery Plan. 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.
Realisation of investments	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.	The majority of the investments are held in segregated mandates or pooled investment vehicles with regular dealing cycles. 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. 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. Following the events of the gilt crisis in 2022, the Plan utilises Credit Repo to bolster the collateral pool for the LDI portfolio, such that it can maintain its target level of collateral sufficiency of 250bps in cash/gilts, and 400bps in cash/gilts and cash raised from credit repo. A review of the expected cashflow requirements over the next 10-years is undertaken on an annual basis by the IE.

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 2023

	Policy	In the year to 31 March 2023
Environmental, Social, Governance (ESG) risks	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. 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. 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. While the Plan's investment managers are given full discretion in exercising stewardship obligations relating to the Plan's investments, they are expected to prioritise stewardship and engagement activities in relation to the following ESG factors, which represent the Plan’s priorities in relation to stewardship: • Climate Change with a focus on disclosures & reporting; • Modern Slavery; and • Diversity & Inclusion.	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 ongoing appraisal of the manager’s appointment. In addition, the JIC discuss ESG issues with the investment managers during their annual review meeting. The Trustee prepared the first TCFD report for the Plan over the period under review. This detailed report covered five key areas: Governance, Strategy, Scenario Analysis, Risk Management, and Metrics & Targets. As part of the data collection process for the report, a range of ESG metrics were collected across all of the Plan's mandates. In addition, the Trustee has set a target to increase the number of climate-related engagements over the next 3 years, relative to the baseline set for engagements over the calendar year 2021, by 25%. The IE provide an annual Stewardship & 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. The IE regularly reviewed the engagement activities of the Plan’s managers both through annual meetings with managers alongside the production of the Stewardship and Engagement report. The Plan has zero exposure to listed equities and as such no votes have been cast on behalf of the Plan over the year. The engagement activities of the managers are summarised in the annual Stewardship & Engagement Report.

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 2023

	Policy	In the year to 31 March 2023
Environmental, Social, Governance (ESG) risks (Continued) 	If a concern is identified, this will be reported to the JIC and will be considered on a case-by-case basis. If a manager's level of engagement was viewed to be unsatisfactory, this would be escalated in the first instance by the Investment Executive, who would feed back to the manager that their current level and/or depth of engagement was not satisfactory, and encourage them to improve this, taking into account the Plan's stewardship priorities. If this did not result in an improvement in the level of engagement, the next level of escalation would be for the JIC to voice their dissatisfaction to the manager on their level and/or depth of engagement. If this still did not result in any improvement, the JIC would consider whether the specific circumstances justified the termination of the mandate. 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.	

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 2023

	Policy	In the year to 31 March 2023
Monitoring & reporting 	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. 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. 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.	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. Investment manager performance is assessed on a net of fees basis.

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