ICL Group Pension Plan

Annual Implementation Statement for the DC & AVC Sections

Introduction

This Statement sets out how the Statement of Investment Principles (‘SIP’) for the Plan’s DC and AVC Sections have been followed during the year to 31 March 2022. This Statement has been produced in accordance with the new regulatory requirements and guidance published by the Pensions and Lifetime Savings Association (PLSA).

If you want to find out more, you can find a copy of the Plan’s SIP at:

https://epa.towerswatson.com/doc/FUJ/pdf/icl-statement-of-investment-principles--.pdf

Investment Objectives

The Trustee’s objectives for the DC and AVC Sections are the acquisition of secure assets of appropriate liquidity, that will generate income and capital growth which will provide for each member’s retirement benefits.

Review of the SIP

At the September 2021 Trustee meeting, the Trustee reviewed its SIP considering both the DB Section elements as well as the specific DC and AVC related Sections of the SIP. The changes made related to the Trustee’s compliance with the TCFD requirements and new responsibilities for the Joint Investment Committee (JIC) in relation to monitoring sustainable investment issues. These updates predominately related to the DB Section assets. The Trustee agreed that no changes were required to the specific DC and AVC elements of the SIP.

Adherence to the SIP

The Trustee believes the SIP has been followed during the Plan year as shown below other than where stated.

Overall investment objective as set out in the SIP

<u>DC Section</u>

The Trustee meets its investment objectives by offering a lifestyle strategy option for the DC Section which was designed based on analysis of the likely needs of the members. The Trustee also makes available a range of alternative investment options for those members who wish to design their own investment strategy. The Trustee had intended to review the ongoing suitability of its DC Section fund range during the Plan Year but has agreed to delay this pending completion of a wider review of its overall DC offering which took place during the Plan year.

The Trustee has now agreed that the DC Section members should be moved to the Fidelity Master Trust arrangement due to the improved value members will be expected to receive. The Trustee is currently working with Fidelity to implement this and members will be communicated to in advance of how this impacts them.

AVCs

As noted in the previous Implementation Statement, the Trustee reviewed its AVC investment options and introduced a revised fund range including a new lifestyle option in June 2020. Following this, no updates have been made to the AVC fund range in the Plan year ended 31 March 2022.

The Trustee had previously intended to map members from a number of legacy funds to funds identified as being more suitable but agreed to delay these changes due to the market volatility seen in response to the Covid-19 pandemic and the above mentioned review of the Trustee's DC arrangements. This was with the aim of avoiding switching member funds twice within a short timeframe. The Trustee has now agreed that the AVC assets held by members under the DB Section should be moved to the Fidelity Master Trust arrangement due to the improved value members will be expected to receive. The Trustee is currently working with Fidelity to implement this and members will be communicated to in advance of how this impacts them.

Investment monitoring

As part of their oversight and effective running of the Plan, the Full Trustee Board met four times during the Plan Year with DC items being considered at each meeting. During the Plan year, the Trustee undertook a review of the suitability of the DC Section and AVCs, including assessing whether the move to a Master Trust arrangement would improve the value provided to members. This process was still ongoing at the end of the Plan year. The JIC considered the performance of the DC Section investments at four meetings during the Plan year.

Consideration of risks within the DC and AVC Sections

The Trustee recognises a range of specific investment risks to which DC and AVC Section members are exposed. In particular the Trustee recognises 'Inflation risk', 'Pre-retirement downturn risk' and 'Liquidity risk'.

These risks have been mitigated where appropriate through the construction of the lifestyle investment strategies. Both the DC Section and AVC lifestyles were designed based on analysis of the membership, in particular in relation to ensuring the lifestyles take an appropriate amount of risk at the right time. For example:

- The two lifestyles have growth phases that invest in growth seeking assets when members can afford to do so with the aim of growing members assets and mitigating inflation risk.
- In the de-risking phase, both lifestyles gradually reduce the amount of investment risk taken as a member approaches their selected retirement age and align the investments held with how members are expected to take their savings (cash lump sum) helping to mitigate in particular the pre-retirement downturn risk.

The Trustee also offered a range of self-select funds to AVC and DC Section members with different characteristics, however it recognises that not all risks can be fully mitigated. Members are encouraged to review their investment decisions to ensure they are appropriate for their personal objectives.

As noted above, the Trustee had intended to undertake a review of the suitability of the DC Section fund range, including how effectively, the range of investment options offered was supporting members with the above risks outlined in the SIP. However, as highlighted above, the Trustee during the Plan Year commenced a review of whether members would be provided with improved value under a Master Trust arrangement. This review included consideration around if an improved range of investment options could be offered via a Master Trust arrangement. The Trustee concluded outside of the Plan year that members would receive improved value under a Master Trust including having access to a wider range of investment options which provide more effective solutions to mitigate the different investments risks faced.

Arrangements with investment managers

The Trustee receives regular input and monitoring from their investment consultant about the Plan's DC investment managers (including investment advice when appointing new investment managers) as described in this Statement, to be satisfied that there is alignment with the Trustee's policies.

The Plan's DC Section and AVC investment providers have been provided with a copy of the Plan's SIP dated September 2021 and were asked to confirm whether they believe that there is any misalignment of the assets they manage on behalf of the Plan with the DC and AVC specific policies (Sections 6 and 8 of the SIP). For the DC Section Fidelity has confirmed that it is aligned with these policies. For the AVCs, Aviva did not explicitly provide this confirmation, as they stated that they are unable to provide this, Aviva however, provided supporting information on their own policies around sustainability and stewardship. This supporting information did not raise any clear concerns around misalignment with the Plan's SIP. In addition, having reviewed the voting information provided by Legal & General and BlackRock, the Trustee's advisor is comfortable that both managers are undertaking suitable levels of stewardship which is in line with the Trustee expectation in this area.

Over the Plan Year, there were no new investment manager appointments or terminations by the Trustee under the DC Section and the AVCs.

The Trustee reviewed the costs incurred in managing the Plan's assets regularly, which includes the transaction costs relating to portfolio turnover, as part of their annual assessment of the costs and charges incurred within the Plan (including the annual Value for Members assessment). The latest assessment covering the Plan Year was provided to the Trustee in August 2022. The assessment showed that the charges for the DC Section continue to be significantly below the market averages. For the AVCs the member charges were shown to be broadly in line with the market average and schemes of a similar nature and size.

Day–to-Day Management of the Assets

The Trustee monitors the investment performance of the Plan's DC Section funds quarterly throughout the year and annually for the AVC funds. As noted above, during the Plan Year, the Trustee commenced a review of the suitability of the DC Section and AVCs, including assessing whether the move to a Master Trust arrangement would improve the value provided to members. The Trustee concluded outside of the Plan year that members would receive improved value under a Master Trust arrangement including having access to a wider range of investment options

Expected risk and return

This section covers the Trustee's views on the potential returns of different asset classes.

The Trustee's quarterly review of DC Section investment performance indicated that on the whole the fund managers had performed in line with their benchmarks and performance expectations as set out in the SIP over the longer term.

DC Sustainable Investment, ESG and Stewardship

The DC and AVC Section investment funds are predominantly passively managed in pooled funds in which the Trustee is a small participant. The Trustee has therefore chosen to adopt an approach to ESG that is consistent with the opportunities and constraints of this position.

The Trustee's policy is that day-to-day decisions relating to the investment of the Plan's DC assets (including 'ESG' considerations) are left to the discretion of the investment managers. The Trustee recognises that long-term sustainability issues, including climate change, may have a material impact on investment risk and outcomes.

To support this area, the Trustee :

- Considered the voting activities of its DC managers as part of producing its Implementation statement for the year ending 31 March 2021 and found that the approaches taken were broadly in line with the Trustee's policies.
- As part of its DC review highlighted above, the Trustee reviewed the use of ESG investing by the potential Master Trust providers being considered to receive the DC assets of the Plan. This showed that members would likely experience an enhanced solution in this area compared to the Plan's current offering.

Voting policy and behaviour

As all the DC and AVC investments are held within pooled funds, the Trustee aims to select investment managers who are clearly demonstrating that they are using their voting power to institute change on those issues the Trustee believes are important. BlackRock and LGIM are the main investment managers and their stewardship reports can be accessed at the below links:

BlackRock: https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2021.pdf
LGIM: https://www.lgim.com/uk/en/capabilities/corporate-governance/ and https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/

Wider engagement

BlackRock's Investment Stewardship team is comprised of more than 60 professionals across the world, taking a local approach with companies while benefiting from global insights. BlackRock has developed a proprietary ESG scoring system at the firm-level which uses over 250 key performance indicators and covers 34 industries. Over 2021, BlackRock's stewardship team held more than 3,600 engagements with more than 2,300 unique companies across 57 markets, covering 68% of their clients' equity assets under management (AUM).

LGIM's Investment Stewardship team is comprised of more than 20 professionals across the world. Over 2021 LGIM's stewardship team engaged with 571 companies and voted on 180,200 resolutions.

AVCs

The table below sets out the voting activities of BlackRock, Aviva and LGIM as the AVC equity and multi-asset fund managers, including any votes cast on the Trustee's behalf and details on the Plan's investment manager use of proxy voting and examples of votes cast that they deem to be significant. The voting covers the pooled equity and multi-asset funds available under the Plan as at 31 March 2022.

Fund name	Voting activity	Example of one of the most significant votes cast during the period
BlackRock Emerging Markets Fund (which makes up part of the Blended global equity fund)	Number of eligible votes: 21,938 Percentage of eligible votes cast: 100.00% Percentage of votes with management: 89.71% Percentage of votes against management: 10.29% Percentage of votes abstained from: 3.93%	Company: Vendeta Limited Resolution: Elect new Director Decision: Voted against the resolution Rationale for decision: The Company does not meet BlackRock's governance expectations, and they believe the board would be more effective with a strong Lead Independent Director who has appropriate responsibilities and oversight
Fund name	Voting activity	Example of one of the most significant votes cast during the period
BlackRock Currency Hedged MSCI World	Number of eligible votes: 13,045	Company: Woodside Petroleum Ltd

Index Fund (which makes up part of the Blended global equity fund)	Percentage of eligible votes cast: 99.85% Percentage of votes with management: 91.24% Percentage of votes against management: 8.60% Percentage of votes abstained from: 0.82%	Resolution: Elect new Director Decision: Voted against the resolution Rationale for decision: The Company did not meet BlackRock's expectations of having adequate climate risk disclosures against all 4 pillars of TCFD and the Company did not meet BlackRock's expectations of having adequate Scope 3 metrics and targets.
Fund name	Voting activity	Example of one of the most significant votes cast during the period
BlackRock UK Equity Index Fund	Number of eligible votes: 10,778 Percentage of eligible votes cast: 99.40% Percentage of votes with management: 92.80% Percentage of votes against management: 6.00% Percentage of votes abstained from: 1.20%	Company: WH Smith Resolution: Approve Remuneration Report and Remuneration Policy Decision: Voted against the resolution Rationale for decision: BlackRock voted against both items as there appeared to be a material disconnect between bonus outcomes and Company performance for the year under review. This follows concerns regarding the selection of Headline EBITDA as the primary metric to determine FY2021 bonus outcomes, which is not considered to utilise an appropriately stretching target range or adequately acknowledge the Company's financial position which has been materially affected by COVID-19. Concerns also persist in relation to the selection and disclosure of personal objectives. In addition concerns are held over the implementation of the policy, the misalignment of pay and performance and the manager has voted against the remuneration report multiple times in the past few years, warranting a vote against the remuneration report and policy.
Fund name	Voting activity	Example of one of the most significant votes cast during the period
BlackRock 50:50 Global Equity Index Tracker Fund	Number of eligible votes: 35,368 Percentage of eligible votes cast: 94.19% Percentage of votes with management: 74.40% Percentage of votes against management: 23.70% Percentage of votes abstained from: 1.90%	Company: Anglo American plc Resolution: Approve Matters Relating to the Demerger of Thungela Resources Limited Decision: Voted for the resolution Rationale for decision: The vote was to demerge the Company's thermal coal operations in South Africa, to operate as a separate independent entity, under the name Thungela Resources Ltd. The manager supported the demerger as it forms part of Anglo American's strategy to continue reducing its thermal coal production footprint and, overall trajectory towards those products that enable a low carbon economy.
Fund name	Voting activity	Example of one of the most significant votes cast during the period

Aviva International Stewardship Fund (which is a sub fund of the Aviva Stewardship Managed Fund)	Number of eligible votes: 828 Percentage of eligible votes cast: 90.94% Percentage of votes with management: 75.7% Percentage of votes against management: 22.7% Percentage of votes abstained from: 1.6%	Company: Microsoft Corporation Resolution: Report on Effectiveness of Workplace Sexual Harassment Policies Decision: Voted for this Shareholder driven resolution Rationale for decision: The manager believe it is important to support this resolution as the company faces potential controversies related to workplace sexual harassment and gender discrimination. This is a risk area for the sector and the company that is key for talent attraction and retention.
Fund name	Voting activity	Example of one of the most significant votes cast during the period
Aviva UK Stewardship Fund	Number of eligible votes: 881 Percentage of eligible votes cast: 99.55% Percentage of votes with management: 97.5% Percentage of votes against management: 2.2% Percentage of votes abstained from: 0.3%	Company: Gresham House Plc Resolution: Accept Financial Statements and Statutory Reports Decision: Voted against the resolution. Rationale for decision: Executive Directors were granted awards under a value creation type plan with an excessive award opportunity on offer. The Executive Directors also received significant salary increases during the year as a result of pay benchmarking. There are multiple performance related pay plans (for example the CEO’s bonus for the year was £535,000), so it does not feel appropriate for big increases to be made in fixed pay. As the company did not put its remuneration report to the shareholder vote, Aviva reflected these concerns under the vote on the report and accounts. Aviva engaged extensively with the company regarding its concerns and particularly the lack of consultation on the new pay arrangements, especially as Aviva are relatively large shareholders. Aviva made its view clear that large share awards should only be payable for exceptional performance so if, over the next few years we see the contrary then Aviva will be holding the Board to account.
Fund name	Voting activity	Example of one of the most significant votes cast during the period
LGIM Diversified Fund	Number of eligible votes: 90,252 Percentage of eligible votes cast: 98.76% Percentage of votes with management: 78.74% Percentage of votes against management: 20.47% Percentage of votes abstained from: 0.79%	Company: Apple Inc Resolution: Report on Civil Right Audit Decision: Voted for the resolution Rationale for decision: A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies. These are considered to be issues that pose a material risk to companies.

Fund name	Voting activity	Example of one of the most significant votes cast during the period
Aviva Managed Fund (fund is managed by Schroders on Aviva's behalf)	Number of eligible votes: 7,948 Percentage of eligible votes cast: 96.07% Percentage of votes with management: 86.45% Percentage of votes against management: 8.77% Percentage of votes abstained from: 0.11%	Company: The Toronto-Dominion Bank Resolution: Adopt a Diversity Target Higher than 40% for the Composition of the Board of Directors for the Next Five Years Decision: Voted for the resolution Rationale for decision: Although Schroders commends the company for the progress is has made to date, it is keen to see more progress given many of the bank's peers exceed this target already. Schroders therefore supported this resolution. Schroders believe there would be sufficient flexibility for the company to appoint candidates with a suitable skill set as they are asking the company to adopt a target rather than a strict quota.

DC Section

The table below sets out the voting activities of BlackRock and LGIM as the DC Section equity and multi-asset fund managers, including any votes cast on the Trustee's behalf and details on the Plan's investment manager use of proxy voting and examples of votes cast that they deem to be significant. The voting covers the pooled equity and multi-asset funds available under the Plan as at 31 March 2022

Fund name	Voting activity	Example of one of the most significant votes cast during the period
LGIM Multi-Asset Fund	Number of eligible votes: 88,741 Percentage of eligible votes cast: 99.77% Percentage of votes with management: 78.74% Percentage of votes against management: 20.47% Percentage of votes abstained from: 0.79%	Company 1: Industrial & Commercial Bank of China Limited Resolution: Approve Work Report of the Board of Directors Decision: Voted against resolution Rationale for decision: LGIM views that the company does not meet minimum standards with regards to climate risk management and disclosure. Note that this company was also divested by LGIM across its Future World range of funds. Company 2: Microsoft Corporation Resolution: Elect Director Satya Nadella Decision: Voted against resolution Rationale for decision: LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM will continue to vote against combined Chairs and CEOs and will consider whether

		vote pre-declaration would be an appropriate escalation tool.
Fund name	Voting activity	Example of one of the most significant votes cast during the period
Fidelity BlackRock ACS 30/70 Currency Hedged Global Equity Fund	Number of eligible votes: 55,563 Percentage of eligible votes cast: 99.92% Percentage of votes with management: 91.76% Percentage of votes against management: 8.27% Percentage of votes abstained from: 2.00%	Company: China Tower Corporation Limited Resolution: Elect Director to the Board Decision: Voted against the resolution Rationale for decision: BlackRock voted against this resolution due to concerns of gender-related diversity at the board level Company: Royal Dutch Shell plc Resolution: Approve the Shell Energy Transition Strategy Decision: Voted for the resolution Rationale for decision: Shell has met expectations for a company to have clear policies and action plans to manage climate risks, and to realise the opportunities presented by the global energy transition to a low carbon economy. BlackRock voted for the resolution to recognise the company's progress, as well as the view that the energy transition it a pioneering initiative.