

Calor Group Retirement Benefits Plan

Implementation Statement



cardano

Contents

Introduction.....	3
Executive summary	3
1. Our Stewardship Policy	4
1.1. What is Stewardship?	4
1.2. What is our Stewardship Policy?	4
1.3. Engagement.....	4
1.4. How have we implemented our Stewardship Policy?	6
2. Voting Activity	8
2.1. How did our managers vote?	8
2.2. Use of proxy voting services	10
2.3. Examples of significant votes.....	11
3. Engagement Activity.....	12

Introduction

This implementation statement (“Statement”) is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. Calor Pension Trust Ltd (the “Trustee”, “we” or “our”) has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the “SIP”) for the Calor Group Retirement Benefits Plan (the “Plan”) during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies (“Stewardship Policy”) during the year; and
- Specifically, how the Plan’s investment managers voted and engaged on our behalf.

This statement has been prepared by us to cover the year ended 5 April 2023.

The Statement is publicly available at:

<https://cip-glob-cdn.azureedge.net/-/media/sites/greatbritain/pdfs/calor---implementation-statement-2023-final---clean.pdf>

Executive summary

The day to day management of the Plan’s assets is currently delegated to Cardano Risk Management Limited (the “Fiduciary Manager”). In advance of the appointment, we took steps to ensure that the management of the Plan’s assets and the Fiduciary Manager’s policies were aligned with our own policies. We continue to monitor the Fiduciary Manager, as part of our regular interactions with them.

We monitor the voting and engagement activity of the Plan’s investment managers, and, through the Fiduciary Manager, challenge their decisions.

We focus our efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. We are comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager’s overall assessments once a quarter.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Plan and engaging with the management of any companies or properties where an investment has been made.

1.2. What is our Stewardship Policy?

Extracts from the Stewardship Policy in force during the financial year are given below:

“Undertaking engagement activities in respect of the investments

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager and the AVC Providers are responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact. The Fiduciary Manager will report on this to the Trustee on a quarterly basis.”

“The exercise of the rights (including voting rights) attaching to the investments

In relation to corporate governance and activism (including the way in which any rights attaching to investments, such as voting rights, are exercised), the Trustee has adopted a policy of delegating voting decisions on stocks to the investment managers who will exercise the voting rights attached to any individual investments on their behalf, in accordance with their own house policies.

The Fiduciary Manager encourages the Plan's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council..”

“Investment Manager arrangements

...Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Fiduciary Manager, who will collate the qualitative and quantitative information required to allow the Trustee to review the above aspects in sufficient detail each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their Responsible Investment approach.”

1.3. Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records

and the level of engagement with underlying investments.

We have recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals, aiming to improve sustainability within the portfolio and have a direct real-world impact to our members' current and future landscape. Our three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages, gender equality and health & nutrition)

On our behalf, the Fiduciary Manager has recently written to the Plan's investment managers reaffirming and expanding on the Trustee's policy and expectations which align with our stewardship priorities. We expect the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities.

1.4. How have we implemented our Stewardship Policy?

Fund structuring

We hold investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds we follow the voting and engagement policies of the investment managers of the pooled funds. However, we remain responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Plan's Stewardship Policy.

External engagements

We assess that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations noted below:



Engagement beliefs

The development of engagement beliefs is an important responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

Quality over quantity

- The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

- The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

cardano

- The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

- Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

- The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

- The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

We monitor voting and engagement activity of our investment managers and challenge their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate. We focus our efforts on any managers where voting and engagement is material.

The Plan invests in a series of Private Market investments. Many of these strategies own controlling stakes in the underlying businesses, meaning that stewardship and engagement is evidenced in a much broader way than, for example, investing in companies listed on a stock market (i.e. public market investments).

One important way for a Private Markets investment manager to add value is to ensure that each business has the best corporate governance possible – dictating and controlling the policies and make up of senior leadership (versus voting at shareholder meetings). Engagement is, therefore, highly relevant in some cases and we include some examples in the relevant section of this report.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Plan and given the use of pooled funds, there is limited scope for us to directly influence voting. Voting is carried out by the investment managers on our behalf.

2.1. How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year. Examples of significant votes are covered in section 2.3 “Examples of significant votes”.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Plan invests with, directly or indirectly, are subject to the Plan’s engagement policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations.

Amia

	Manager response
Number of meetings the manager was eligible to vote at over the year	2
Number of resolutions the manager was eligible to vote on over the year	28
% of eligible resolutions the manager engaged with	100%
% of votes with management	100%
% of votes against management	0%
% of resolutions the manager abstained from	0%

CC Japan

	Manager response
Number of meetings the manager was eligible to vote at over the year	83
Number of resolutions the manager was eligible to vote on over the year	253
% of eligible resolutions the manager engaged with	100%
% of votes with management	95%
% of votes against management	0%
% of resolutions the manager abstained from	5%

Egerton Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	33
Number of resolutions the manager was eligible to vote on over the year	330
% of eligible resolutions the manager engaged with	90%
% of votes with management	92%
% of votes against management	6%
% of resolutions the manager abstained from	2%

Polar Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	54
Number of resolutions the manager was eligible to vote on over the year	549
% of eligible resolutions the manager engaged with	100%
% of votes with management	83%
% of votes against management	17%
% of resolutions the manager abstained from	0%

Sands

	Manager response
Number of meetings the manager was eligible to vote at over the year	61
Number of resolutions the manager was eligible to vote on over the year	440
% of eligible resolutions the manager engaged with	100%
% of votes with management	94%
% of votes against management	4%
% of resolutions the manager abstained from	2%

Sunriver

	Manager response
Number of meetings the manager was eligible to vote at over the year	22
Number of resolutions the manager was eligible to vote on over the year	224
% of eligible resolutions the manager engaged with	100%
% of votes with management	93%
% of votes against management	4%
% of resolutions the manager abstained from	3%

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Plan's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
AKO	ISS, we do not use their voting policy
Amia	Broadridge Proxy Edge Service. We use an ESG template provided by Broadridge, based on responses from ESG focused clients.
CC Japan	N/A
Egerton	We do not use a proxy advisor but do utilise the services of Broadridge Proxy Edge to cast votes.
MI Metropolis	ISS
Polar	Polar Capital uses ISS as a proxy advisor. This highlights all situations where the proxy advisor recommends voting against management, key issues and produces research as part of recommendations. These are available to each fund management team for consideration. The fund management team then decides how they wish to vote.
Sands	ISS, Glass Lewis, and SES (for India Holdings) standard voting policy.
Sunriver	Sunriver has engaged an independent third-party proxy voting service, Institutional Shareholder Services. We license their standard policy ("ISS Proxy Analysis & Benchmark Policy").

2.3. Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

Amia

Company Name	Summary of the resolution	Rationale / Outcome
Ukraine (Sovereign)	In July 2022, Amia voted for the proposed changes to the terms of certain Ukrainian Sovereign bonds in issue. The changes, amongst others, were to defer the dates on which certain payments of interest and/or principal were due, and on which the bonds were to mature.	Strong support for Ukraine's liability management program

Egerton

Company Name	Summary of the resolution	Rationale / Outcome
Microsoft	Voted with a shareholder proposal (and against management recommendation) for cost-benefit analysis of diversity and inclusion	To promote a diverse and inclusive workforce

Sands

Company Name	Summary of the resolution	Rationale / Outcome
CPAIL Public Company Limited	Elect Phatcharavat Wongsuwan, Padoong Techasarintr ,and Pridi Boonyoung as Directors	Concerns about a non-independent Board

Sunriver

Company Name	Summary of the resolution	Rationale / Outcome
US Food Holdings Corp	Shareholders request that US Foods adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030."	We agreed that additional information on the company's GHG emissions reduction efforts would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Plan's investment managers where engagement should be a material activity in the management of the assets.

Egerton

Key points	Engagement activity
<p>Company: Norsk Hydro</p>	<p>Egerton own a position in Norsk Hydro, an aluminium producer. Aluminium is used extensively in renewable energy and electric cars and is also infinitely recyclable.</p>
<p>Engagement Theme: Governance</p>	<p>Egerton has been in regular and active communication with Norsk Hydro management for several years, recently this has centred on improving governance. Egerton spoke with the company in January and February 2023 to discuss the structure and absolute level of compensation of both the management team and board.</p>
<p>Industry: Industrial</p>	<p>The Norwegian government are a significant shareholder. Due to government pressure, compensation of both the management team and board is below the international norm. This is making it difficult for the company to compete for top-level talent internationally against peers. This is a non-trivial problem as the European aluminium industry faces significant economic, geopolitical and environmental headwinds which need to be actively navigated by a highly competent management team.</p>
<p>Outcome:</p> <ul style="list-style-type: none"> Engaged with the company on executive compensation to ensure that the company are able to attract and retain top-level talent 	<p>As such, in May, Egerton voted to support a resolution proposed by management to align compensation for the management team and board to what is typically seen internationally.</p>

Sands¹

Key points	Engagement activity
<p>Company: Britannia</p> <p>Engagement Theme: Health and nutrition</p> <p>Industry: Food packaging</p> <p>Outcome:</p> <ul style="list-style-type: none"> • Sands engaged with company management, raising concerns regarding the health impact of their products • The company have shared quantitative targets with shareholders regarding reduction of sugar, salt and other unhealthy ingredients in their products 	<p>Britannia is one of India's leading food companies, responsible for producing popular food brands in India. Britannia is conscious of its products' impact on the health of its consumers and has made efforts to incorporate measures that Sands have advocated for to produce healthier food. Due to the sugar and fat content in a majority of Britannia's products, the company is exposed to growing concerns about obesity, ingredient safety, and nutritional value.</p> <p>Sands shared this feedback with management, who agreed with our assessment. Britannia revealed its plan to shift its product line-up to a healthier array of snacks and to improve the current product portfolio by reducing the sugar, flour, and fat content within these items. Furthermore, the company provided investors with specific quantitative targets to reduce ingredients like sugar and sodium in its products. Sands believe this level of transparency is a hallmark of good management and can lead to more productive meetings in the future.</p> <p>Last November, Sands visited Britannia's R&D centre in Bengaluru and had an extensive conversation with its head of R&D. Sands were encouraged to hear that the team is well equipped with seasoned professionals in food technology, chemistry, nutrition, and packaging, who actively integrate ESG initiatives into product development.</p> <p>Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. More information is available in the Sands Capital Engagement Policy at https://sandscapital.com/media/Sands-Capital-Engagement-Policy-Statement.pdf.</p>

¹ The views expressed are the opinion of Sands Capital and are not intended as a forecast, a guarantee of future results, investment recommendations, or an offer to buy or sell any securities. The views expressed were current as of the date indicated and are subject to change. This material may contain forward-looking statements, which are subject to uncertainty and contingencies outside of Sands Capital's control. Readers should not place undue reliance upon these forward-looking statements. There is no guarantee that Sands Capital will meet its stated goals.

A company's fundamentals or earnings growth is no guarantee that its share price will increase. Forward earnings projections are not predictors of stock price or investment performance, and do not represent past performance. Characteristics, sector exposure and holdings information are subject to change, and should not be considered as recommendations. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients. There is no assurance that any securities discussed will remain in the portfolio or that securities sold have not been repurchased.

You should not assume that any investment is or will be profitable.



The information contained in this presentation is for discussion purposes and under no circumstances may any information contained in this presentation be construed as investment advice.

The information contained in this presentation reflects, as of the date of issue, the views of Cardano Risk Management Limited ("Cardano") and sources believed by Cardano to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data contained in this presentation. In addition, there can be no guarantee that any projection, forecast or opinion in this presentation will be realised. Past investment performance is not a reliable indicator of future results; no guarantees of future performance are provided.

The views expressed in this presentation, or any factual information contained in this presentation, may change at any time subsequent to the date of its issue.

No information contained in this presentation shall be construed as any sales or marketing materials in respect of any financial instrument, product or service sponsored or provided by Cardano or any of its affiliates or agents.

Cardano accepts no liability to any person for any information contained in this presentation. Any person wishing to invest in any financial instrument identified in this presentation must make their own assessment of the merits of doing so or should seek financial advice from a third party.

References to specific securities are presented solely in the context of industry analysis and are not to be considered recommendations by Cardano.

Cardano and its affiliates may have positions in, and may affect transactions in the markets, industry sectors and companies described in this presentation.

This presentation is not an advertisement and is not intended for public use or additional distribution.

Nothing in this presentation shall be construed as tax advice or legal advice.

Cardano only provides services to professional clients (as defined in the Conduct of Business Rules issued by the Financial Conduct Authority).

© Cardano 2023



Cardano | 9th floor, 6 Bevis Marks, London EC3A 7BA
+44 (0)20 3170 5910 | : info@cardano.com | cardano.com

Cardano Risk Management Limited is part of The Cardano Group. Cardano Risk Management Limited is registered in England and Wales number 09050863. Authorised and regulated by the Financial Conduct Authority.