

Annual Implementation Statement for the Year Ended 31 December 2023 (the “Scheme Year”)

Prysmian Pension Scheme: Defined Benefit Section

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (‘SIP’) produced by the Trustee has been followed during the year to 31 December 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustee’s primary investment objective for the Scheme is to ensure the Scheme’s assets and future contributions are invested in such a manner that the benefits (due to members and their beneficiaries) can be paid from the Scheme as they arise. In addition, the Trustee also considers the following as investment objectives:

- To return the Scheme funding level to 100% of the projected past service liabilities and then to maintain this funding level;
- To maximise investment returns subject to an acceptable level of risk, and by doing so, to minimise the level of contributions required of the employer;
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

The Trustee believes that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

Review of the SIP

The Scheme’s SIP was updated in June 2023, to account for the investment strategy change and to include the current investment structure (mentioned below). The SIP also includes the requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustee’s policies in SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset managers’ performance and the remuneration for asset management services are in line with the Trustee’s policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

The Trustee considers that it has generally adhered to all of its policies as set out in the SIP over the course of the year.

Investment Structure

Over the course of the year, the Scheme's assets were invested via Mobius Life Limited ("Mobius"). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers.

As such, the Trustee has no direct relationship with the Scheme's underlying investments managers.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

The Trustee recognises that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated, as best as possible.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

Engagement

The Scheme is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with and monitoring investee companies as well as exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

Mercer's Manager Research Team ("MMRT") receives regular reporting from the underlying investment managers / funds that includes information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund investors. If required, MMRT will raise any concerns directly with the investment manager and notify the Trustee if appropriate.

The Trustee, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. If the Trustee has any concerns, they will raise them with Mercer verbally or in writing.

In particular, the Trustee will monitor:

- The performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time-periods will be considered, the focus will be on the medium to long-term performance of the investment manager/fund. Where performance has failed to meet expectations and/or the MMRT's views on the future expectations of performance has changed, the underlying investment manager / fund may be replaced with a suitable alternative;

- Performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustee must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g. general market movements. The level of risk will be monitored on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately;
- The ESG and Stewardship policies of the underlying investment manager are available for the Trustee to review. As the Scheme invests in pooled funds, the Trustee recognises that its ability to influence the stewardship policies of the underlying investment manager is limited. As such, any changes to the Trustee view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

The Trustee also receives regular performance reports from investment managers (this includes ratings, both overall and specific to ESG, from the investment consultant) and meets them on a periodic basis to review and discuss the operation of their portfolios, including past and future policy decisions.

Voting Activity

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustee has therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustee has not been asked to vote on any specific matters over the reporting period.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds in which the Scheme's assets are ultimately invested and for which voting is possible (i.e., all funds which include equity holdings).

Significant Vote Definition

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustee defines a significant vote as one that is linked to the Scheme's stewardship priorities/themes. A vote could also be significant for other reasons, e.g. due to the size of holding. The Trustee has set out below its criteria for significant votes and are satisfied that these are also captured as high areas of focus in the Colombia Threadneedle and Nordea Stewardship Policies:

- Environmental (E) – Climate change (e.g. vote on a company's carbon disclosures)
- Social (S) – Human rights (e.g. worker conditions, safety and pay)
- Governance (G) – Corporate Governance (e.g. Board quality, diversity, remuneration and inclusion)

Over the last 12 months, the voting activity on behalf of the Trustee was as follows:

Columbia Threadneedle – Multi Asset Fund

Proxy voter used?	Votes cast			Significant votes
	Votes in total	Votes against management endorsement	Abstentions	
ISS – Voting platform for casting votes and recordkeeping.	7,226 (of 7,316 eligible)	12%	2%	Columbia Threadneedle considers a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where they support a shareholder-tabled proposal not endorsed by management. They report annually on their reasons for applying dissenting votes via their website.
Glass Lewis & ISS – For research				

Most Significant Votes:

Amazon.com, Inc. (0.8% fund weighting) – Votes ‘for’ were cast on the ‘Report on Impact of Climate Change Strategy Consistent with Just Transition Guidelines, ‘Report on Median and Adjusted Gender/Racial Pay Gaps’ on the 24th May 2023. The rationale for the first vote was that shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. The rationale for the second vote was that the proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management. The outcome of both votes was ‘against’. Management were not informed in advance of the votes. With regard to implications of the outcome of the vote, Threadneedle commented that ‘Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.’

Alphabet Inc. (0.4% fund weighting) – Votes ‘abstain’ were cast on ‘Report on Risks of Doing Business in Countries with Significant Human Rights Concerns’ on 2nd June 2023. The rationale behind the voting was ‘the company faces risks related to human rights in its global operations. Good practice includes developing a clear human rights policy or code of practice, along with a narrative on how impacts are monitored and effectively mitigated’. The outcome of the vote was ‘against’. Management were not informed in advance of the vote. With regard to implications of the outcome of the vote, Threadneedle commented that ‘Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.’

Source: Columbia Threadneedle Investments, Information as at 31 December 2023.

Nordea – Diversified Return Fund

Proxy voter used?	Votes cast			Significant votes
	Votes in total	Votes against management endorsement	Abstentions	
ISS – for recommendations only.	2,441			Significant votes are those that are severely against Nordea’s principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, they benchmark the proposals versus their policy.
NIS – for recommendations only.	(of 2,486 eligible)	11.8%	2.6%	
Nordea makes its own voting decisions.				

Notes: ISS = Institutional Shareholder Services Inc.
 IVIS = Institutional Voting Information Service
 NIS = Nordic Investor Services

Most Significant Votes:

Alphabet (4.8% fund weighting) – a vote ‘against’ was cast on ‘Report on Lobbying Payments and Policy, Report on Framework to Assess Company Lobbying Alignment with Climate Goals etc.’ on 2 June 2023. The rationale behind the vote was that at the Alphabet AGM, Nordea supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations were ‘against’ on all these proposals. Nordea regards the dominant position of Google, its impact on society and integrity of individuals as very important to them as investors. The outcome of the vote was “against”. Management were not informed in advance of the vote. With regard to implications of the outcome of the vote, Nordea commented that ‘We will continue to support shareholder proposals on these issues as long as the company is not showing substantial improvements.’

Microsoft Corporation (4.5% fund weighting) – a vote ‘for’ was cast on ‘Report on tax transparency (shareholder proposal)’ on 7 December 2023. The rationale behind the vote proposed was that GRI Tax Standard would enhance the company’s transparency in communicating its tax practices to investors globally. The outcome of the vote was “against”. Management was not informed in advance of the vote. With regard to implications of the outcome of the vote, Nordea commented that ‘We will continue to support shareholder proposals on this issue as long as it is needed’.

Microsoft Corporation (4.5% fund weighting) – a vote ‘for’ was cast on ‘Report on Risks of Operating in Countries with Significant Human Rights Concerns’ on 7 December 2023. The rationale behind the vote proposed was that increased disclosure regarding how the company is managing human rights-related risks in high-risk countries helps investors in their assessment of the company. The outcome of the vote was “against”. Management were not informed in advance of the vote. With regard to implications of the outcome of the vote Nordea commented that ‘We will continue to support shareholder proposals on this issue as long as it is needed’.

Source: Nordea, Information as at 31 December 2023 for the votes metrics and as at Q4 2023 for the votes rationale.