

Lucite International UK Pension Fund

**Annual Implementation
Statement – Fund year
ending 31 December 2020**

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1. Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Lucite International UK Pension Fund ("the Fund") covering the scheme year ("the Year") to 31 December 2020.

The purpose of this statement is to:

1. Set out how, and the extent to which, in the opinion of the Trustee, the Fund's engagement policy (required under regulation 23c of the Occupational Pension Funds Investment Regulations 2005) has been followed during the Year; and
2. Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the Year and state any use of services of a proxy voter during that Year.

The Fund makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles ("SIP") are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact. In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Fund's assets on a discretionary basis. The Fiduciary Manager's discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustees' SIP.

A copy of this implementation statement has been made available on the following website:
<https://mitsubishichemical.co.uk/statement-of-investor-principles/>

2. Review of and changes to the SIP

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Fund's assets including, but not limited to; investment managers, portfolio construction and risks. There were two versions of the SIP during the year as the SIP was reviewed and updated. The versions in place were dated:

1. September 2019
2. August 2020

The SIP was reviewed and updated as at September 2019 in relation to new Department for Work and Pensions (DWP) regulations that came into force from 1 October 2019 regarding:

- How financially material considerations are taken into account over the appropriate time horizon of the investments, including in the selection, retention and realisation of investments.
- The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.
- Policies in relation to stewardship, including engagement with firms and exercising voting rights.
- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

The SIP was updated again as at August 2020 in relation to further Department for Work and Pensions (DWP) regulations that came into force from 1 October 2020 to reflect the Trustee's:

- Policies in relation to stewardship, including engagement with firms and exercising voting rights.
- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

For the purpose of assessing how the Fund's engagement policy has been followed, the remainder of this statement specifically focusses on the SIP agreed in August 2020. All elements that were included in the previously agreed SIP remained in the August 2020 SIP.

3. Voting and engagement

As part of the review of the SIP in August 2020, the Trustee considered and reviewed its stewardship policies (including with regards to voting and engagement).

Industry wide / Public policy engagement

The Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustee). The Fiduciary Manager communicates client policies/sentiment to EOS via the Client Advisory Council (chaired by Willis Towers Watson) and EOS subsequently engages with legislators, regulators and industry bodies to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to Hermes EOS via the Client Advisory Council (chaired by Willis Towers Watson). Engagement activities by Hermes EOS on public policy over the Year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. EOS is among over 370 investors with over \$35tn under management who have signed up to the initiative. Further, they are leading or co-leading the engagement on 30 companies and collaborating with other investors on another 14 companies as part of this initiative.
- Working closely with the Principles for Responsible Investment ('PRI'), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;
- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum)
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

Investment manager and company level engagement

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Fund's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Fund's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with

managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Fund is invested across a diverse range of asset classes which carry different ownership rights. Voting information is shown below for the Fund's equity managers (the only asset class to include voting rights). Where managers provided multiple examples of "significant votes". The Fund's equity holdings were invested across seven pooled funds over the course of the year (noting that two of these were a direct replacement for two others, and was disinvested entirely over the year), as per the summary below:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active emerging markets equity fund (disinvested over the Year)
- Manager B – an active China A Shares equity fund
- Heitman Global Prime Property Securities – a passive global equity fund focussed on equity related to prime properties. Initially this was accessed through Legal and General Investment Management. However, over the year this was replaced by State Street Global Advisors.
- Infrastructure Equity MFG Fund – a passive global equity fund focussed on equity related to infrastructure companies. Initially this was accessed through Legal and General Investment Management. However, over the year this was replaced by State Street Global Advisors.

As outlined above, the Fund is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM, Manager A and Manager B funds. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Fund's investment managers could impact the investment manager's ability to generate the best investment outcome for the Fund and ultimately, the Fund's members.

Fund	Approach to Environment, Social and Governance (ESG) factors
<p>TWIM Global Equity Focus Fund</p> <p>(12.2% of assets at year end)</p>	<p>Willis Towers Watson believes that the principles underlying sustainable investment form the cornerstone of a successful long-term investment strategy, and their equity fund looks to reflect their sustainability beliefs. Within the broad remit of sustainable investment, they have identified climate change as a critical and systemic priority.</p> <p>The global equity focus fund has banned controversial weapon companies from the portfolio in accordance with MSCI's criteria. The underlying managers are also monitored on numerous sustainability metrics and regularly compared with industry standards.</p>
<p>Manager A – an active emerging markets equity fund.</p> <p>The Fund disinvested from this fund over the Year.</p>	<p>When in place, the Fiduciary Manager viewed the SI approach of Manager A to be acceptable but still with potential areas for improvement.</p> <p>During the year, Manager A made improvements to its practices relating to ESG integration and engagement by upgrading their third-party research provider to Sustainalytics, developing a Stewardship Policy and enhancing their ESG Policy. However, the level of portfolio turnover suggested that Manager A's average holding period for stocks is moderate, potentially limiting its ability to vote and engage with company management to direct change. In addition, the level of assets under management in this strategy indicated that Manager A's ability to affect change through stewardship activities may be somewhat limited.</p>
<p>Manager B – an active China A Shares equity fund</p>	<p>The Fiduciary Manager rates this manager positively with respect to their ESG integration and engagement. Corporate engagement and asset stewardship is a key part of the investment process for the active manager. The manager's long-term investment horizon, approach of investing in companies with strong governance structures and history and experience of investing in Asian markets, including China,</p>

(1.6% of assets at year end)	supports that they are well-equipped to engage with company management with a view to improving outcomes. In terms of voting, the firm's policy is publicly disclosed annually, and it is positive that all votes are exercised where feasible.
<p>Heitman Global Prime Property</p> <p>(2.7% of assets at year end)</p> <p>Over the year the Fund moved from accessing this asset class using LGIM to using SSGA.</p>	Over the year the manager introduced an ESG / Climate Risk filter and a Factor Analysis / Financial Leverage filter to the strategy, as well as the introduction of emerging Prime real estate sectors to increase the resiliency and relevance of the portfolio on a forward-looking basis. These are positive developments for the portfolio and the investment process.
<p>Magellan Listed Infrastructure</p> <p>(3.2% of assets at year end)</p> <p>Over the year the Fund moved from accessing this asset class using LGIM to using SSGA.</p>	This fund improved on passive equivalents as ESG considerations are a core part of the investment process. Many of the firms invested in have clear plans to reduce carbon emissions.

TWIM – Global Equity Focus Fund (12.2% of assets at year end)

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 161</p> <p>Number of votes eligible to cast: 2,679</p> <p>Percentage of eligible votes cast: 99.1</p> <p>Percentage of votes with management: 89.8</p> <p>Percentage of votes against management: 10.0</p> <p>Percentage of votes abstained from: 0.2</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 58.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11.0</p>
Use of proxy voting	The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote investors' shares. As described elsewhere, TWIM also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers are ultimately responsible for the votes.

Manager A – Emerging Market Equity (0% of assets at year end – the Fund disinvested during the year)

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 75</p> <p>Number of votes eligible to cast: 634</p> <p>Percentage of eligible votes cast: 98.0</p> <p>Percentage of votes with management: 90.0</p> <p>Percentage of votes against management: 8.0</p> <p>Percentage of votes abstained from: 2.0</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 35.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0.0</p>
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Use of proxy voting	The manager uses the proxy voting services of Institutional Investor Services (ISS).
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Manager B – China A Shares equity fund (1.6% of assets at year end)

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 97</p> <p>Number of votes eligible to cast: 838</p> <p>Percentage of eligible votes cast: 100.0</p> <p>Percentage of votes with management: 98.6</p> <p>Percentage of votes against management: 1.4</p> <p>Percentage of votes abstained from: 0.2</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 6.2</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11.4</p>
Use of proxy voting	The manager uses the proxy voting services of Glass Lewis

LGIM – Heitman Global Prime Securities (0% of assets at year end – the Fund disinvested during the year)

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 123</p> <p>Number of votes eligible to cast: 1213</p> <p>Percentage of eligible votes cast: 100.0</p> <p>Percentage of votes with management: 85.2</p> <p>Percentage of votes against management: 14.7</p> <p>Percentage of votes abstained from: 0.1</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 5.4</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0.2</p>
Use of proxy voting	<p>The Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by the manager and LGIM does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions</p> <p>To ensure our proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>LGIM retain the ability in all markets to override any vote decisions, which are based on LGIM's custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to our voting judgement. LGIM have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.</p>

LGIM Infrastructure Equity MFG Fund (0% of assets at year end – the Fund disinvested during the year)

<p>Voting activity</p>	<p>Number of meetings at which the manager was eligible to vote: 96 Number of votes eligible to cast: 1158 Percentage of eligible votes cast: 99.9 Percentage of votes with management: 85.0 Percentage of votes against management: 15.0 Percentage of votes abstained from: 0.0 Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 5.8 Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0.4</p>
<p>Use of proxy voting</p>	<p>As per the Heitman Global Prime Securities Fund.</p>

State Street Global Advisors Heitman Global Prime Property Securities (2.7% of assets at year end)

<p>Voting activity</p>	<p>State Street Global Advisors Heitman Global Prime Property Securities did not cast any votes over the period of 2020 that the Fund was invested</p>
<p>Use of proxy voting</p>	<p>State Street Global Advisors are responsible for proxy voting on behalf of the fund.</p>

State Street Global Advisors MFG Core Infrastructure Fund (3.2% of assets at year end)

<p>Voting activity</p>	<p>Number of meetings at which the manager was eligible to vote: 6 Number of votes eligible to cast: 37 Percentage of eligible votes cast: 100.0 Percentage of votes with management: 50.0 Percentage of votes against management or abstained: 50.0</p>
<p>Use of proxy voting</p>	<p>The manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement and proxy voting on behalf of the fund.</p>

Most significant votes cast	Coverage in portfolio
<p>Company: <u>51Job</u></p> <p>Resolution: Elect Cheng Li-Lan</p> <p>How the manager voted: Against</p> <p>Summary The manager felt that Cheng Li-Lan did not have sufficient time to take on this appointment, given the number of other board appointments they already have (formally known as over boarding risk).</p> <p>Outcome of the vote: For</p>	<p>Manager B – China A Shares equity fund</p>
<p>Company: <u>Citigroup</u></p> <p>Resolution: Report on Lobbying Payments & Policy</p> <p>How the manager voted: For</p> <p>Summary: The manager is against any form of political payments.</p> <p>Rationale for being considered a significant vote: Large holding in the portfolio</p> <p>Outcome of the vote: Fail, with 13% voting "For"</p>	<p>TWIM – Global Equity</p>
<p>Company: <u>Cigna Corporation</u></p> <p>Resolution: Report on Gender Pay Gap</p> <p>How the manager voted: For</p> <p>Summary: The manager believes the disclosures requested would be very low cost to for the company to produce and that shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives, with significant benefits for the company related to employee and customer satisfaction as it would demonstrate that the company took the concerns seriously.</p> <p>Rationale for being considered a significant vote: The manager believes it was significant both given their firmwide shareholding (as a percentage of outstanding shares) and their engagement efforts.</p> <p>Outcome of the vote: Fail, with 20.8% voting "For."</p>	<p>TWIM – Global Equity</p>
<p>Company: <u>Cigna Corporation</u></p> <p>Resolution: Reduce Ownership Threshold for Shareholders to Call Special Meeting</p> <p>How the manager voted: For</p> <p>Summary: Shareholder proposal promotes enhanced shareholder rights</p> <p>Rationale for being considered a significant vote: The manager believes it was significant both given their firmwide shareholding (as a percentage of outstanding shares) and their engagement efforts.</p> <p>Outcome of the vote: Fail, with 45.2% voting "For."</p>	<p>TWIM – Global Equity</p>

4. Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.