

COMPASS GROUP PENSION PLAN

**Implementation Statement
for the year ended 5 April 2023**

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT

This is the Implementation Statement prepared by the Trustee of Compass Group Pension Plan (the "Trustee") for the year to 5 April 2023, covering:

- A summary of any changes made to the SIP during the year;
- How the Trustee has followed the policies included in the SIP; and
- How voting has been carried out on behalf of the Trustee including the use of any proxy voting services.

Conclusion

Based on the activity undertaken during the year, the Trustee believes that the policies set out in the SIP have been implemented effectively:

- The investment managers were able to disclose adequate evidence of voting and/or engagement activity;
- The activities completed by the investment managers align with the Trustee's stewardship priorities; and
- The Trustee's voting policy has been implemented effectively in practice.

Despite all managers having robust stewardship policies in place, some investment managers were unable to provide all of the information requested. The Trustee's investment advisor is engaging with the managers to encourage them to provide detailed and meaningful disclosures about their engagement activities and better understand their engagement practices.

Review and changes to the SIP over the year

The Trustee has a SIP that covers both the defined benefit ('DB') and defined contribution ('DC') Sections of the Plan (the "main SIP") and a SIP that covers the DC default arrangements (the "default SIP").

The default SIP is intended to provide a summary of the policies that are set out in the main SIP that are relevant to the DC default arrangements and therefore most likely to be of interest to members with DC funds.

All following references to SIP in this statement are to the main SIP but apply to the default SIP where they are relevant to the DC default arrangements.

The Trustee undertakes a review of the SIP at least triennially or after any significant change in investment strategy. The SIP was last reviewed and updated in June 2021. There have been no changes to the SIP over the year.

The Plan's latest SIP can be found here:

https://www.compass-pensions.co.uk/group_pension_plan/active/documents

ESG mission statement

The Trustee recognises that environmental, social and governance factors (including climate change) can pose material financial risks and that the risks associated with these factors could impact investment returns within the timeframe that the Trustee is concerned about. The Trustee, therefore, seeks to integrate ESG risks into its investment strategy and integrated risk management approach. In managing these risks, the Trustee aims to protect the interests of members and beneficiaries, while aiming to improve the long-term future of the global environment, as far as they are able to. Where possible, the Trustee will also seek to capture climate-related investment opportunities.

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

SIP policies and objectives

This section outlines how the investment policies and objectives detailed in the SIP have been followed over the year. The policies have been grouped by theme; full details are outlined in the SIP.

Joint DB and DC/AVC policies

<p>Risk</p>	<p>During the year, the Investment Committee (“IC”) met quarterly to discuss the strategic investment arrangements, monitor the performance and cashflow requirements. The Trustee has several direct investments in pooled funds managed by the investment managers. The Trustee’s investment advisor, Aon, provides formal advice on suitability ahead of investment and provides ongoing monitoring thereafter.</p>
<p>Environmental, Social and Governance (“ESG”) Considerations</p>	<p>The Trustee recognises that ESG risk factors, including climate change, may negatively impact the value of investments held if not fully understood and evaluated. The Trustee reviews ESG ratings for DB and DC assets as part of the quarterly investment reports it receives from Aon. The ESG ratings focus on a set of principles and whether the managers’ have successfully integrated ESG considerations into their investment process.</p>
<p>Aligning to the Taskforce on Climate-related Financial Disclosures framework (“TCFD”)</p>	<p>Over the year, the Trustee has been working with its advisors to prepare its first TCFD report which will be published within 7 months of the Plan year-end. The TCFD is a set of eleven recommended disclosures which, taken together, provide a framework for the management of climate-related risks and opportunities. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better-informed decision-making on climate-related financial risks.</p>
<p>Arrangements with investment managers</p>	<p>The Trustee is supported by Aon in monitoring the activity of its investment managers. The Trustee receives quarterly investment reports, which include ESG ratings of the investment managers. Aon is responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects on the managers’ alignment with Trustee policies generally, for example, whether the managers are expected to achieve their performance objectives and a review of their approach to ESG issues. Aon meets with the investment managers regularly to receive an update on the portfolio, performance and any major developments. Following discussions with the manager, they review each sub-component and overall rating.</p>
<p>Cost transparency</p>	<p>For the DB arrangements, the Trustee gathers cost information on its investments annually, to provide a consolidated summary of all the investment costs incurred. The cost report includes a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers. The Trustee also reviews benchmark data where available to help understand how costs compare to the broader market. For the DC/AVC arrangements, the Trustee provides cost information on its investments annually within the Chair’s Statement in the Trustee Report & Accounts.</p>
<p>Non-financial factors</p>	<p>In setting and implementing the investment strategy, the Trustee does not explicitly take into account non-financial factors.</p>

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

DB Policies Only

<p>Risk</p>	<p>The Trustee receives quarterly investment reports from Aon which include:</p> <ul style="list-style-type: none"> ▪ Fund performance, both absolute and relative to their benchmarks over the quarter, one-year and three-year periods; ▪ Overall performance, both absolute and relative to the liability proxy over the quarter, one-year and three-year periods; ▪ Asset allocation relative to the strategic asset allocation; ▪ Semi-annual Value at Risk analysis; ▪ An overview of Aon’s ratings, including sub-category ratings such as ESG, of the investments and detailed commentary for any major developments; and ▪ Economic market review and outlook. <p>The IC regularly receives presentations from its investment managers to discuss the market background, performance, market outlook, positioning and ESG integration.</p>
<p>Asset Allocation</p>	<p>The investment strategy set out in the SIP was agreed following an investment strategy review in 2020 and consultation with the Principal Employer. The investment strategy protects, as far as practical, 100% of changes in the Low Dependency funding basis liability value due to changes in interest rates and inflation, while targeting an overall best estimate expected return of gilts +0.8% p.a.</p>

DC/AVC policies only

Aon reviews the suitability of the DC/AVC arrangements on behalf of the Trustee on a triennial basis. The review considers fund investments’ absolute performance and performance relative to their benchmarks over one, three- and five-year periods, provider financial strength, quality of investments and administration, costs and charges and the overall suitability of the arrangements.

The Trustee provides access to a range of funds that is likely to be suitable for meeting members' long and short-term investment objectives, taking into account members' term to retirement.

The IC monitors investment performance of the unit-linked funds on a quarterly basis, using the quarterly investment report produced by Legal & General. No changes were recommended to the investment strategy during the year.

The Governance and Operations Committee (‘GOC’) of the Trustee reviews the services provided by Legal & General (its main DC provider) on a quarterly basis using the quarterly governance report produced by Legal & General to ensure that the services provided remain appropriate for the Plan.

The IC assesses the remuneration of Legal & General by obtaining full details of the costs and charges paid by members to disclose in the Chair’s Statement for the Plan.

Voting and engagement activity undertaken over the year

Almost all of the Plan’s DB assets are held in securities such as government and corporate bonds which do not have voting rights attached. Approximately 70% of the Plan’s assets were invested in a bespoke LDI fund as of the end of March 2023. The Trustee did invest a small proportion of its assets in equities, which do have voting rights, but it is important to note that this was fully redeemed part way through the year.

While the size of the DC assets is small relative to the DB assets, the Trustee has included information for the DC funds in the interests of transparency and disclosure.

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Voting statistics

The table below shows the voting statistics for the equity funds held during the year to 31 March 2023:

Section	Fund type	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DB	LGIM Global Equity Fund 1*	68,320	99.9%	19.7%	1.2%
DC	LGIM Global Equity Fund 2	76,499	99.9%	18.2%	1.1%

Source: Managers

*Fully redeemed in December 2022

Use of proxy voting adviser

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

The table below describes how the investment managers use proxy voting adviser.

	Description of use of proxy voting adviser
Legal & General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, a custom voting policy has been put in place with specific voting instructions.

Source: Manager

Significant voting examples

To illustrate the voting activity being carried out on behalf of the Trustee, we asked the investment managers to provide a selection of what they consider to be the most significant votes in relation to the Plan's equity investments. We have included a sample of these significant votes in the Appendix.

Engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table overleaf shows some of the engagement activity carried out by the Plan's investment managers (where applicable). The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the fund invested in by the Plan.

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Engagement activity (continued)

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
	LGIM Global Equity Fund 1*	574	Not provided	Environment - Climate change Social - Human capital management (e.g., inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness – Diversity, Board effectiveness – Other, Remuneration Strategy, Financial and Reporting - Strategy/purpose
	Aviva Investors Property Fund	21	3,328	Environment - Climate change
DB	CBRE Investment Management Property Fund	Not provided. The manager stated <i>"We do not collate statistics on the number of individual engagements. The nature of our engagement activity is often continuous and/or on a frequent basis, for example in relation to a specific project. At the very least we will engage with all underlying managers at least once per year. As at 31 December 2022, Global Alpha was invested with 47 different funds, comprising 2,582 underlying real estate assets."</i>		
	M&G Investments Corporate Bond Fund	11	157	Environment - Climate change Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion and diversity, employee terms, safety), Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying) Governance - Remuneration, Leadership – Chair/CEO
DC	LGIM Global Equity Fund 2	663	Not provided	Environment - Climate change Social - Human and labour rights (e.g., supply chain rights, community relations), Public health Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g., audit, accounting, sustainability reporting), Strategy/purpose

Source: Managers.

* Fully redeemed in December 2022

Data limitations

At the time of writing, CBRE was not able to provide all the information requested: CBRE did not provide any specific engagement information but did confirm that the nature of their activity is continuous.

Our investment advisers are engaging with all of the managers on our behalf to encourage improvements in reporting.

This report does not include commentary on the Plan's liability driven investments/gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include the allocations to Scottish Widows or the Additional Voluntary Contributions ("AVCs") due to the relatively small proportion of the assets held.

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Plan's manager. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM - All World Equity Index Fund (Vote example 1)	Company name	Alphabet Inc.
	Date of vote	01-Jun-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.1%
	Summary of the resolution	Report on Physical Risks of Climate Change
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	Outcome of the vote	Failed
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Appendix – Significant Voting Examples (continued)

LGIM - All World Equity Index Fund (Vote example 2)	Company name	Exxon Mobil Corporation
	Date of vote	25-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.6%
	Summary of the resolution	Set GHG Emissions Reduction targets Consistent with the Paris Agreement Goal
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.
	Outcome of the vote	Failed
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Appendix – Significant Voting Examples (continued)

LGIM - All World Equity Index Fund (Vote example 3)	Company name	TotalEnergies SE
	Date of vote	25-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.2%
	Summary of the resolution	Approve Company's Sustainability and Climate Transition Plan
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	We recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, we remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory and so a vote against is applied.
	Outcome of the vote	Passed
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.	

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Appendix – Significant Voting Examples (continued)

LGIM - Global Equity (70:30) Index Fund (Vote example 1)	Company name	Rio Tinto Plc
	Date of vote	08-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.9%
	Summary of the resolution	Approve Climate Action Plan
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
	Outcome of the vote	Passed
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.	

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Appendix – Significant Voting Examples (continued)

LGIM - Global Equity (70:30) Index Fund (Vote example 2)	Company name	Glencore Plc
	Date of vote	28-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.9%
	Summary of the resolution	Approve Climate Progress Report
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While we note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, we remain concerned over the company's activities around thermal coal and lobbying, which we deem inconsistent with the required ambition to stay within the 1.5°C trajectory.
	Outcome of the vote	Passed
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

COMPASS GROUP PENSION PLAN

IMPLEMENTATION STATEMENT (continued)

Appendix – Significant Voting Examples (continued)

LGIM - Global Equity (70:30) Index Fund (Vote example 3)	Company name	Barclays Plc
	Date of vote	04-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.7%
	Summary of the resolution	Approve Barclays' Climate Strategy, Targets and Progress 2022
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	While we positively note the Company's use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology, we have concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. A vote against is therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.
	Outcome of the vote	Passed
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Source: Manager