Implementation Statement

COMPASS MINERALS UK DEFINED BENEFIT PENSION PLAN

Introduction

This statement has been prepared by the Trustees of the Compass Minerals DB Plan, to demonstrate how the Trustees have acted on certain policies within their Statement of Investment Principles ('SIP'). This document is known as the Scheme's Implementation Statement. This Implementation Statement covers the Scheme year ending 5 April 2021 and provides details of how, and the extent to which, their SIP policies on engagement have been followed over the year.

How the Scheme's investments are governed

The primary objective of the DB Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement, for their dependants, on a defined benefits basis.

Investment objectives and activity

The Trustees' objective is to invest the Plan's assets in the best interests of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

Within this framework the Trustees' primary objectives are as follows:

- To reach a position where the assets of the Plan are sufficient to enable the full benefits of all members, dependants, and other beneficiaries to be purchased by an insurance company in the future.
- To achieve and maintain a funding level of 100% on the ongoing funding basis.
- To minimise risk in achieving and maintaining a 100% funding level on the ongoing basis subject to acceptable affordability.
- To ensure that the Plan's assets are invested in a manner that will enable the Trustees to achieve their underlying funding objective, given the level of Company contributions.
- To ensure its investment managers take account of financially material considerations (including environmental, social and governance [ESG] factors), considering the nature and time horizon of the investments.
- To ensure the suitability of assets in relation to the needs of the scheme.
- To ensure that the expected return on the scheme assets is maximised whilst managing and maintaining investment risk at an appropriate level.

During the period covered by the Implementation Statement, there have been no changes to the investment strategy as set out in the SIP.

<u>How voting and engagement policies have been followed</u>

The Trustees invest entirely in pooled funds and, as such, delegate responsibility for carrying out voting and engagement activities to the Scheme's fund manager.

Throughout this period, the sole fund manager was Schroders. The Trustees met three times during the year to discuss performance of the funds and to receive updates on important issues. We also undertook training on ESG and Stewardship and agreed the Scheme's policies in relation to these. One of our main focuses has been on these two issues, and they have been discussed in detail with our investment advisors.

Each year, the Trustees receive voting information and engagement policies from the fund manager, which is reviewed to ensure alignment with the Scheme's own policies. Having done so, the Trustees are comfortable that the actions of the fund manager are in alignment with the Scheme's Stewardship policies.

<u>Voting behaviour</u>

Schroders are aware of the guidance and voting requirements that the PLSA has published with respect to the Implementation Statement. They are fully committed to providing effective and meaningful disclosure to enable the Trustees to fulfil our regulatory and fiduciary responsibilities including the completion of the voting template. Schroders have published their voting records for many years, and the standardised voting report, which shows the voting decision for all holdings in the fund, has been reviewed by the Trustees.

The current PLSA requirements ask for detailed bespoke fund-level voting data that goes beyond Schroders existing disclosures. At this point in time, they are reviewing the information they provide and are considering the best way to communicate this to the Trustees.

The Trustees' investment consultant is liaising with Schroder's to improve delivery of the data going forward, and we are assured that Schroders is working to improve the disclosure. The Trustees are still of the opinion that the fund manager has acted in accordance with the Scheme's Stewardship policies.

We note that there are no voting rights attached to the liability-driven investment ("LDI") or liquidity fund holdings, and as such there is no voting information shown for these funds.

The Trustees are supportive of the key voting action taken by Schroders over the period to 5th April 2021, to encourage positive governance changes in the companies in which the funds hold shares.

<u>Schroders' practices (non-fund specific)</u>

Schroders' policy on consulting with clients before voting

In order to maintain the necessary flexibility to meet client needs, local offices of Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues.

Overview of the process for deciding how to vote

Schroders evaluate voting issues arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients.

They utilise company engagement, internal research, investor views and governance expertise to confirm their intention. Further information can be found in their Environmental, Social and Governance Policy for Listed Assets.

Proxy voting services

Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that their own research is also integral to their final voting decision; this will be conducted by both their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

They continue to review their voting practices and policies during their ongoing dialogue with their portfolio managers. This has led them to raise the bar on what they consider 'good governance practice.'

What process is followed for determining the "most significant" votes?

Schroders consider "most significant" votes as those against company management. They are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if they believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance, they may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where they do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

Did any "most significant" votes breach the client's voting policy?

It is Schroders' policy to disclose their voting activity publicly. On a monthly basis, they produce their voting report which details how votes were cast, including votes against management and abstentions. While they implement an ESG policy, voting is on a comply or explain basis and they do not have a simple tick box approach, relying on analysis and engagement to determine their vote intention.

Conflicts of Interest

Schroders accepts that conflicts of interest arise in the normal course of business. They have a documented Group wide policy, covering such occasions, to which all employees are expected to adhere and on which they receive annually reviewed training. There are also supplementary local policies that apply the Group policy in a local context. More specifically, conflicts or perceived conflicts of interest can arise when voting on motions at company meetings which require further guidance on how they are handled.

How the Statement of Investment Principles ("SIP") has been followed over the year

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:

As previously stated, the Trustees received training and reviewed the Scheme's policies on ESG and Stewardship. The Trustees agreed that ESG factors are potentially financially material, and that Stewardship is an important issue. The Trustees' policies in the SIP were updated in October 2020 to reflect this.

The SIP was also updated in October 2020 to incorporate the Trustees' policies on monitoring and reviewing the fund manager's performance and activities relative to the Scheme's objectives. We review the ESG approach of the fund manager as part of the monitoring process.

The Trustees have made no new fund manager appointments over the year.

Date – November 2021