

Cathay Pacific Airways Limited UK Retirement Benefits Scheme – Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Cathay Pacific Airways Limited UK Retirement Benefits Scheme Stewardship Policy for the year ending 31 December 2022.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy (which is embedded in the Statement of Investment Principles) during the period from 1 January 2022 to 31 December 2022.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees' approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed in line with any review of the Scheme's Statement of Investment Principles ("SIP"), which was last completed in November 2022.

There were no changes to the Stewardship Policy during the last year.

You can review the Scheme Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at https://www.cathaypacific.com/cx/en_GB/about-us/responsible-business/employee-compliance-reports.html

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustees believe it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees' own engagement activity is focused on their dialogue with their investment managers and is undertaken in conjunction with their investment advisers. The Trustees meet with their managers and the Trustees consider the managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustees are satisfied that the managers have complied with the Scheme's Stewardship Policy over the year to 31 December 2022.

Voting activity

The Trustees seek to ensure that their managers are exercising voting rights and where appropriate, to monitor the managers' voting patterns. The Trustees invest in equity assets through a global equities mandate with Morgan Stanley, and the Trustees also invested in equity assets via a diversified growth mandate with Schroders which was disinvested on 31 October 2022. Since the previous statement of compliance, the Trustees have invested in a multi-asset credit mandate with Intermediate Capital Group ("ICG"). The Trustees' investment managers have reported on how votes were cast in the relevant equities mandates as set out in the tables below:

Morgan Stanley	Global Quality Fund
Proportion of Scheme assets*	13.4% (£5.7m)
No. of meetings eligible to vote at during the year	43
No. of resolutions eligible to vote on during the year	671
% of resolutions voted	100.0%
% of resolutions voted with management	87.0%
% of resolutions voted against management	12.8%
% of resolutions abstained	0.2%
% of meetings with at least one vote against management	79.1%

**As at 31 December 2022*

The resolutions which Morgan Stanley voted against management the most on over the Scheme year were mainly in relation to executive remuneration and board of directors.

Schroders	Diversified Growth Fund
Proportion of Scheme assets*	0.0% (disinvested on 31 October 2022)
No. of meetings eligible to vote at during the year	1,483
No. of resolutions eligible to vote on during the year	17,259
% of resolutions voted with management	89.1%
% of resolutions voted against management	10.9%
% of resolutions abstained	0.5%
% of meetings with at least one vote against management	49.1%

**As at 31 October 2022.*

The resolutions which Schroders voted against management the most on over the Scheme year were mainly in relation to: executive remuneration and board of directors.

Significant votes

The Trustees have asked their managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustees. From the managers' reports, the following votes have been identified as being of greater relevance to the Scheme.

Morgan Stanley

Morgan Stanley considers a vote against management as a significant vote. Morgan Stanley do not consult with any parties internally or externally, including clients, to inform the voting decision prior to voting securities in pooled mandates.

Date	Company	Subject and manager vote	Summary and rationale
26 January 2022	Accenture Plc	Vote against remuneration report	Concerns around poor performance metrics disclosure.
26 April 2022	The Coca-Cola Company	Vote against remuneration report	Concerns over quantum of pay paid to former Named Executive Officer ("NEO").
21 April 2022	LVMH Moët Hennessy Louis Vuitton SE	Vote against Director election	Concerns around lack of board independence.
21 April 2022	Heineken NV	Vote against remuneration report	Insufficient disclosure of remuneration information in the proxy.
26 April 2022	Atlas Copco AB	Vote against Director election	Concerns around lack of board diversity.
26 April 2022	Moody's Corporation	Vote against remuneration report	Concerns with the long-term performance metrics.
4 May 2022	Philip Morris International Inc	Vote against remuneration report	Concerns over excessive severance payment to former Chief Financial Officer ("CFO").
18 May 2022	SAP SE	Vote against remuneration report	Concerns over the long-term performance metrics.

Schroders

Schroders considers a vote against management as a significant vote. The fund invests in a range of diversified growth asset classes, for which only the equities allocation comes with voting rights. The Scheme disinvested from the fund on 31 October 2022.

Date	Company	Subject and manager vote	Summary and rationale
19 May 2022	AIA Group Limited	<ul style="list-style-type: none"> Vote against election of Director N. Akrasanee 	<ul style="list-style-type: none"> Concerns that nominee sits on a number of external boards which may impact their role.
25 May 2022	Amazon	<ul style="list-style-type: none"> Vote against election of Director J.S. Gorelick Vote against election of Director J.A. McGrath Vote against election of Director J.J. Rubinsten Ratify NEO Compensation 	<ul style="list-style-type: none"> Concerns about management of Environmental, Social and Governance (“ESG”) risks (governance committee chair) Lack of improvement to remuneration practices and concerns about human resources practices Concerns about the company's management of ESG risks (lead director) Concerns over misalignment between Chief Executive Officer (“CEO”) and Named Executive Officer (“NEO”) pay and company performance driven by excessive equity grant to the new CEO and the NEOs, which lack performance conditions.
25 August 2022	Lundin Energy AB	<ul style="list-style-type: none"> Vote against reelection of Director C.A. Heppenstall; and election of new Directors A. Azrac and D. Fitzgerald 	<ul style="list-style-type: none"> Concerns that candidate is non-independent director (“NED”) and minority NED representation.
25 August 2022	Ganfeng Lithium Co., Ltd.	<ul style="list-style-type: none"> Vote against adoption of 2022 Share Option Incentive Scheme 	<ul style="list-style-type: none"> Long-term vesting period is less than 3 years
13 October 2022	WuXi AppTec Co., Ltd.	<ul style="list-style-type: none"> Vote against adoption of the 2022 H Share Award and Trust Scheme 	<ul style="list-style-type: none"> Long-term vesting period is less than 3 years and directors eligible for awards under the 2022 Scheme are involved in the administration of the 2022 Scheme.

Trustee-manager engagement activity

The Trustees hold meetings with their investment managers on a periodic basis, where stewardship issues are discussed along with other investment matters. The Trustees carried out the following engagements with their managers during the year:

Engagement date	Manager
20 July 2022	Intermediate Capital Group (ICG) – Trustees' first introduction to the manager
23 November 2022	Legal and General Investment Management (LGIM)

Summary of manager engagement activity

The Trustee receives periodic reporting on their managers' engagement activity.

Some of the Scheme's assets are invested in liability-hedging, corporate bonds, multi-asset, and cash investments with no associated voting rights. As such, the Trustees recognise the importance of the broader stewardship activity of the Scheme's non-equities investment managers. Despite investing in assets with no voting rights, LGIM and ICG still actively engage across their portfolios, a summary of which is included below.

The following table summarises the key engagement activity for the 12-month period ending 31 December 2022.

Manager: Fund*	Number of engagements	Topic engaged on
Morgan Stanley: Global Equities	Number of engagements undertaken during the year was not disclosed at the time of preparing this statement of compliance, as Morgan Stanley's stewardship report for 2022 had not yet been published.	Key engagements in relation to the Global Quality Fund are discussed in 'voting activity' above. In all cases Morgan Stanley continues to engage with the company in question.
Schroders: Diversified Growth	Schroders undertook 1,193 active engagements across 448 entities over the year to 31 December 2022. These topics are split across the ESG spectrum as follows: 56% environmental, 22% social, and 22% governance.	Key engagements are discussed in the 'voting activity' section above. Schroders seeks to support the management of investee companies and will publicly disclose where they vote against management.
Legal and General Investment Management: LDI, cash and corporate bonds	<ul style="list-style-type: none"> Fixed income portfolio with no voting rights 59 total engagements in relation to the corporate bonds holding and 34 engagements in relation to the liquidity (cash) fund 34 total engagements covering the LDI holdings 	Environmental issues (climate change and CO ₂ emissions), governance issues (executive remuneration, board composition), and social issues (diversity, public health).
Intermediate Capital Group: Multi asset	<ul style="list-style-type: none"> Total number of engagements was not disclosed at the time of 	Case studies of declined investments due to ESG concerns covered the

credit (invested November 2022)	preparing this statement of compliance. However, over the year to 30 September 2022, ICG turned down at least 65 investment opportunities due to ESG concerns.	following: investee's incompatibility with ICG's ESG objectives; investee's insufficient ESG oversight; and unsatisfactory outlook following ESG screening and analysis of the investee.
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**As at 31 December 2022. Note: the Scheme disinvested from Schroders at 31 October 2022.*

Use of a proxy adviser

The Trustees' investment managers have made use of the services of the following proxy voting advisors over the Scheme year:

Manager	Proxy Advisor used	Commentary
Morgan Stanley	<ul style="list-style-type: none"> Institutional Shareholder Services (ISS) 	Morgan Stanley vote in-line with internal proxy voting policy and procedures. ISS provides voting research, execution, reporting and recordkeeping services to the manager. Morgan Stanley voted contrary to ISS recommendation on 8.2% of resolutions which the manager voted on.
Schroders	<ul style="list-style-type: none"> Institutional Shareholder Services (ISS) and Investment Association's Institutional Voting Information Services (IVIS) 	Schroders receive research from these advisors as part of a holistic approach to voting decision making.

Review of policies

The Trustees and their advisors remain satisfied that the voting policies of the managers remain suitable for the Scheme at present, and intend to review this periodically.

The Trustees hope that this Statement helps you understand how the Scheme's investments have been managed over the year 1 January 2022 to 31 December 2022.