

Innovia British Pension Scheme – Defined Contribution Section

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustee’s Statement of Investment Principles (SIP) dated September 2020 have been implemented. The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustee’s Chair’s Statement signed in July 2021.

This Statement covers the period 1 January 2020 to 31 December 2020.

Investment managers and funds in use

DC Section

The DC Scheme is a legacy arrangement closed to new members and no further contributions are expected. There is no default investment strategy for the DC Section and the Standard Life Managed Fund is the only fund available to members.

AVC Section

The Scheme’s additional voluntary contributions (AVCs) are held by the Scheme via investments with Utmost Life & Pensions, Prudential and Standard Life.

The table below shows the list of the AVC funds:

Asset Class	Fund
Global equities	Standard Life UK Equity Pension Fund Standard Life FTSE Tracker Standard Life International Equity Pension Fund
Multi asset	Standard Life Managed Pension Fund Standard Life A Retirement (Multi Asset Universal) Standard Life Multi Asset Managed (20-60% Shares) Fund Standard Life Global Absolute Return Strategies Fund Standard Life With Profits One Utmost Life & Pensions Multi Asset Moderate Fund Prudential With Profits Fund
Cash	Prudential Cash Fund Prudential Deposit Fund Standard Life Deposit & Treasury Fund Standard Life Pension Money Market Pension Fund

DC Section – Default Investment Strategy

As the Scheme is closed to new members and no further contributions are expected, there is no requirement for the Trustee to set a default investment fund. The assets held within the defined contribution (DC) section are funds placed in a Trustee Investment Plan (TIP) provided by Standard Life Assurance Limited. Within the TIP, the only fund available for members is the Standard Life Managed Fund, a multi-asset fund, where sub asset-class categories can be managed passively.

Investment Strategy Review

There have been no changes to the fund options available to members over the past year. The Trustee periodically reviews the investment funds of the DC and AVC arrangements. The last formal review undertaken was during 2021.

Scheme Governance

Governance arrangements, in terms of the constitution of the trustee board, service level agreements with providers, processing of core financial transactions, costs and charges and investment arrangements, are detailed in the Trustee's Chair's Statement.

The Trustee is responsible for making investment decisions, and seeks periodic advice from Broadstone Corporate Benefits Limited, as the Trustee's investment consultant.

The Trustee does not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

Trustee Knowledge and Understanding

The Trustee has the appropriate knowledge and understanding to ensure its policies on ESG integration, as well as engagement and voting activities, are and remain appropriate for the Scheme. The Trustee has developed their knowledge and understanding over the year, and further details are set out in the Chair's Statement.

Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in September 2020, which was updated to comply with Environmental, Social and Governance (ESG) legislation. The SIP was also updated in March 2020 following the appointment of BlackRock as the fiduciary manager for the DB Section.

The Trustee has a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustee has a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the Trustee's SIP.

The Trustee reviewed their policies in the SIP in relation to the DC Section, including those on ESG integration, voting and engagement and reviewing and monitoring of investment arrangements, and these were updated in September 2020.

Policy on financially material considerations

The Trustee reviewed their policy on financially material considerations and this was updated in September 2020. The updated policy is outlined below:

Trustee's Policy: The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the members invest. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustee has an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustee does not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustee receives information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the member's investments associated with the impact of climate change, the Trustee takes the view that this falls within their general approach to ESG issues. The Trustee will continue to monitor market developments in this area with its investment adviser.

The Trustee notes that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustee is satisfied that the funds currently invested in the DC and AVC arrangements are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustee has access to updates on governance and engagement activities by the investment managers.

The Trustee acknowledges that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers given they are investing in comingled arrangements.

A summary of the Trustee's views for the asset classes where investments are held is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Multi-asset funds	Active	The Trustee expects the investment manager to take financially material ESG factors into account, when making active management decisions, which enables the manager to use its discretion to generate higher risk adjusted returns. Where a sub asset category is managed passively the Trustee acknowledges the manager will invest in line with an index. The Trustee also expects its investment manager, to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets do not typically attract voting rights.
Global equities	Active	Where equities are actively managed, the Trustee expects the investment manager to integrate ESG factors into the selection, retention, and realisation of the stocks they hold where this is expected to have a material impact on returns. The Trustee also expects the investment manager to take into account ESG considerations when engaging with companies and by exercising voting rights.
Cash	Passive	The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns because of the nature of the asset class.

Policy on the exercise of voting rights and engagement activities

The Trustee reviewed their policy on voting and engagement and this was updated in September 2020. The updated policy is outlined below:

Trustee’s Policy: Responsibility for engagement with the issuers of the Scheme’s underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustee can therefore only influence engagement and voting policy indirectly.

The Investment Manager provides, on request, information to the Trustee on their actions in relation to engagement and use of voting rights. The Trustee is therefore aware of the policies adopted by the Investment Manager.

In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have any mechanism to vote on the underlying holdings, given the pooled nature of the Scheme’s investments.

The Trustee has delegated engagement activities to their investment managers, and they will report to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings.

A summary of the votes made by the investment managers on behalf of the Trustee (where the investment owns equities) is provided in the table below from 1 January 2020 to 31 December 2020, based on the latest information available from each investment manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Manager uses own voting policy?	Resolutions Voted On	Resolutions Voted:		
					For	Against	Abstained
Aberdeen Standard	Pooled	ISS	Yes	65,630	87%	11%	2%
Prudential (M&G)	Pooled	ISS	Yes	25,778	94%	5%	1%

Utmost Life and Pensions have stated they take a pro-active approach to sustainable investing and they are evolving their responsible investment framework. No voting records are available and the Trustee will work with Utmost Life and Pensions to determine any voting and engagement activities in future years.

The votes above (Aberdeen Standard and Prudential (M&G)) are at the company level, rather than being Scheme or fund specific. The Trustee will work with their investment managers to obtain this information in future years.

A notable engagement activity from Standard Life (ASI) and M&G (on behalf of Prudential) is provided below:

- **ASI:** has worked and engaged with Royal Dutch Shell on its climate change and carbon reduction policies, resulting in the company introducing a new aim to bring it into a net zero carbon position by 2050.
- **M&G (on behalf of Prudential):** engaged with a multi-national drinks company on its emissions targets, urging them to set medium-term emissions reduction targets, as well as a net zero target for 2050 or sooner. The company's main challenges are focused on the heat required for brewing and its packaging process, but the company is working on the solutions and M&G will decide whether further near-term engagement is necessary following the company's next ESG report.

The Trustee is comfortable with the investment managers' approach for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

The Trustee also considers the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustee will monitor performance of the investment managers versus their performance objectives to ensure the investment objectives set out in the SIP are being met.

Signed: *Bhavna Kumar*

Signed: *Darren Howarth*

Date: 20/07/2021

On behalf of the Trustee of the Innovia British Pension Scheme
For and on behalf of Align Pensions Limited