

# 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 2021 to 31 December 2021.

### 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
<b>Global equities</b>	Standard Life UK Equity Pension Fund Standard Life FTSE Tracker Standard Life International Equity Pension Fund
<b>Multi asset</b>	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
<b>Cash</b>	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.

## **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 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.

There were no departures from the policies set out in the SIP, including the Trustees’ policies on financially material considerations, during the year.

## Policy for taking into account financially material considerations

**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.*

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year.

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

**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.*

There have been no changes to the Trustee's policy, nor any departures from their policy, during the year.

In particular, all voting activities have been delegated to the investment managers, as the Trustee does not have the administrative 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 2021 to 31 December 2021, 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
<b>Standard Life<sup>1</sup> (Aberdeen)</b>	Pooled	ISS	Yes	74,291	85%	13%	2%
<b>Prudential (M&amp;G)</b>	Pooled	ISS	Yes	42,687	93%	7%	1%
<b>Utmost Life (JP Morgan)</b>	Pooled	ISS	Yes	91,546	93%	7%	0%

The votes above are at the company level, rather than being Scheme or fund specific. The notable engagement activities from Aberdeen (on behalf of Standard Life), M&G (on behalf of Prudential) and JP Morgan (on behalf of Utmost Life and Pensions) are provided below:

- **Aberdeen (on behalf of Standard Life):** engaged with tobacco producer Philip Morris over its efforts to transition smokers to reduced risk products (RRPs) as well as longer-term efforts to diversify away from nicotine products. The company has set a target of 50% revenue generation from smoke-free products and also aims to switch 40 million smokers to RRP. Recent acquisitions have also been made to generate revenues beyond nicotine, and the company demonstrates its commitment to developing policies consistent with best practice.
- **M&G (on behalf of Prudential):** met with the management of a UK property investment company to push for further disclosures on issues including gender diversity and work being undertaken in relation to energy-efficient buildings in light of low MSCI scoring. In response, the company agreed to publish a piece on the external management of the business, and gender and racial diversity is now high on the agenda.
- **JP Morgan (on behalf of Utmost Life and Pensions):** met with the management of company Veolia, raising the issue of coal consumption and urged the company to bring forward their planned phase-out of coal from 2030. In response, the company acknowledged that their timeline to exit coal was behind that of its peers and JP Morgan will continue to engage with them on bringing forward their targets.

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.

<sup>1</sup> Standard Life Plc. and Aberdeen Asset Management Plc merged in 2017 to form Aberdeen Standard Investments. In 2021 the Standard Life brand was sold to Phoenix Group and Aberdeen Standard Investments rebranded to Aberdeen. Aberdeen are the investment manager behind Standard Life funds.

## **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: **22/07/2022**

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