Origin UK Pension Scheme

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 Trustees' Statement of Investment Principles (SIP) dated 27 February 2020 have been implemented. The SIP provides further background details on investment arrangements and should be read in conjunction with the Chair's Statement dated 9 August 2021.

This Statement covers the period 1 April 2020 to 31 March 2021.

Asset managers and funds in use

Details of the investment strategies and funds used for both the Main Section and UAP Section of the Scheme are set out in the Statement of Investment Principles, with the latest version provided at the link below:

https://originenterprises.com/uploads/reports/statements/Statement-of-Investment-Principles-2020.pdf

Strategy Review

There have been no changes to either the investment managers, target asset allocation of either the Main or UAP Section, or the default investment strategy for members with DC/AVC holdings, or self-select options available to members with DC/AVC holdings (where applicable) over the year.

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 Trustees' Chair's Statement.

The Trustee board is responsible for making all investment decisions, and seeks advice from Broadstone, as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP, as the Trustees' primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective. However, members are able to provide their views and feedback directly to the Trustees (where required).

There were no changes to the objectives put in place for Broadstone, which were formally put in place in October 2019. The Trustees reviewed their performance against these objectives in June 2021 and are due to formally review these objectives by October 2022, or earlier.

There were also no changes to the investment management agreements with Aegon (formerly Kames), Apollo, Aviva, LGIM, Prudential, Royal London, TwentyFour and Utmost during the year.

Trustee Knowledge and Understanding

The Trustee board has the appropriate knowledge and understanding to ensure its policies on financially and non-financially material considerations, as well as engagement and voting activities, are and remain appropriate for the Scheme.

The Trustees have developed their knowledge and understanding over the year, and further details are set out in Section 8 of the Chair's Statement. In particular, the professional Trustee that sits on the board has received training on ESG investment from third party professional and legal advisers during the year covered by this statement.

Statement of Investment Principles

The Trustees last reviewed the Statement of Investment Principles (SIP) in February 2020, which was updated to take account of investment regulations that came into force on 1 October 2020. Prior to this, the SIP was updated in June 2019 to reflect the new investment strategy detailed above as well as for the investment regulations that came into force on 1 October 2019.

The Trustees have 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 Trustees have 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 Trustees' SIP.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in either the SIP adopted in June 2019 or the SIP adopted in February 2020.

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

Policy on financially and non-financially material considerations

Trustees' Policy: ***The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact in the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can and will have a material financial impact on the returns provided by those assets.***

The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Asset Managers. The Trustees have an expectation that the Asset Managers 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 its assets.

The Trustees do not currently impose any specific restrictions on the Asset Managers with regard to ESG issues, but will review this position from time to time.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area in conjunction with their adviser.

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

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

The Trustees note that the manner by which financially and non-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 Trustees are satisfied that the funds currently invested in by the Scheme (including defined contribution arrangements) are managed in accordance with their views on financially and non-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 Trustees have access to updates on governance and engagement activities by the asset managers and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing asset managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their asset managers given they are investing in pooled funds.

A summary of the Trustees’ views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Risk-controlled multi-asset, multi-asset income, multi-asset, and with profits	Active	The Trustees expect the asset managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustees also expect the asset managers, to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the funds do not typically attract voting rights.
Multi-asset credit and absolute return bonds	Active	The Trustees expect the asset managers to take financially material ESG factors into account, given the active management style of the fund and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustees also expect their asset managers to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Property	N/A	The direct commercial property held under the Main Section of the Scheme is leased to a company associated with the Principal Employer. The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the holding.
Government bonds	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
LDI	Passive	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Policy on stewardship

Trustees' Policy:	***Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Asset Managers. The Trustees can therefore only influence engagement and voting policy indirectly.*** ***The Asset Managers provide, on request, information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Asset Managers.***

The Trustees' stewardship policy covers how voting rights attached to the underlying holdings are exercised, as well as how the Trustees engage with both their asset managers and the underlying companies held by the Scheme.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year. In particular, all voting rights have been delegated to the asset managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

The Trustees currently invests in pooled investment funds with the asset managers, and they acknowledge that this limits their ability to directly influence each asset manager. However, the Trustees periodically meet with their asset managers, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their asset managers on these matters where they think this is in the best interests of members.

To complement this, the Trustees receive stewardship and governance reports from Aegon (formerly Kames) and Apollo on an annual basis, and from LGIM on a quarterly basis.

Under the current investment strategy, the following funds have some equity holdings, and therefore have voting rights attached to these underlying equities:

- **Main Section**: LGIM Dynamic Diversified Fund, Aegon Monthly Diversified Income Fund, Aviva Red Plan
- **UAP Section**: LGIM Dynamic Diversified Fund
- **Defined Contribution Arrangements**: Aviva With Profits Fund, Prudential With Profits Fund, Prudential Discretionary Fund, Royal London Deposit Account Fund, Utmost Investing By Age

Some of the asset managers use the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third proxy voters used are confirmed in the table below.

The Trustees have delegated engagement activities to their asset managers, and each asset manager reports to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by the asset managers on behalf of the Trustees (where the investment owns equities) is provided in the table below from 1 April 2020 to 31 March 2021 (or from 1 January 2020 to 31 December 2020 in the case of Aviva, Royal London and Utmost), based on the latest information available from each asset manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Resolutions Voted On	Resolutions Voted: For	Against	Abstained
Aegon*	Pooled	ISS	558	63%	20%	17%
Aviva	Pooled	Not used – in house	72,025	76%	24%**	
LGIM	Pooled	Not used – in house	67,905	81%	18%	1%
Prudential* **	Pooled	ISS	28,319	94%	5%	1%
Royal London	Pooled	Not used – in house	28,992	86%	12%	2%
Utmost****	Pooled	Not disclosed	84,972	89%	9%	2%
Apollo	Pooled	Not applicable – only invests in bonds	N/A			
TwentyFour	Pooled	Not applicable – only invests in bonds	N/A			

*Aegon resolutions do not duplicate resolutions with multiple votes.
**Aviva have not disclosed the percentage of individual votes that were either against or abstained. Figures based on votes against management resolutions.
***Prudential assets are managed by M&G Investments, and the voting record above represents M&G's voting history.
****Utmost assets are managed by JP Morgan Asset Management, and the voting record above represents JP Morgan Asset Management's voting history.

The votes above are at the company level, rather than being scheme or fund specific. The Trustees will work with their asset managers to obtain this information in future years.

The Trustees have requested details of the significant votes made on behalf of the Trustees (where voting rights are attached). Details of these significant votes are provided below, together with engagement activities where voting rights are not held by the asset manager. The significance has been determined where the asset manager believes the vote or activity has led to the most change in respect of the underlying company.

- **Aegon** voted against HSBC's proposal to abolish the practice of taking a state deduction from the pension paid to members of the defined benefit section of the Midland Bank pension scheme (which affects 51,000, or 25%, of staff). Aegon concluded the proposal, estimated to cost around £450 million, would not benefit all members equally, particularly newer employees who are part of the defined contribution scheme.
- **LGIM** put forward a proposal to Amazon emphasising the important role that worker representation plays in supporting companies. This is in direct response to accusations against Amazon concerning its interference with efforts by its workers to unionise. As a consequence of these actions, Amazon has launched its Global Human Rights Principles, which recognise the fundamental rights of workers to organise, and commissioned a human rights impact assessment (with an external consultant). LGIM is continuing to engage with the company to ensure that Amazon's commitments to upholding human rights are maintained.

- **Aviva** continued to engage with Royal Dutch Shell regarding the current renumeration arrangements. Concerns were mainly surrounding the generosity of the firm's long-term remuneration and incentive plans, which have resulted in significant director bonuses for what Aviva feels has been mediocre returns for shareholders. Following Aviva's engagement, the firm has agreed to reduce the maximum long-term bonuses and financial incentives.
- M&G (on behalf of **Prudential**) engaged with chemical company BASF regarding their long term greenhouse gas emissions targets. M&G were concerned that the firm's targets were not ambitious or comprehensive enough, particularly due to the absence of a net-zero emissions target within the firm. BASF stated they had successfully cut greenhouse gas emissions by half since 1990. However, BASF has agreed to achieve carbon neutrality until 2030, with a reduction in greenhouse gas emissions from 2030.
- **Royal London** voted in line with a Barclays proposal to achieve net zero carbon emissions by 2050. Royal London were pleased with the scale of the proposal, which included commitments in helping the transition of clients in the energy sector to a low carbon business model as well as the production of annual reports from these clients from 2021. The resolution received close to 100% of votes in favour and Royal London will be monitoring the implementation of the bank's proposal.
- JP Morgan (on behalf of **Utmost**) engaged with Lafargeholcim regarding the tenure of some of the board members, as well as the board diversity and renumeration. Lafargeholcim's chairman acknowledged JP Morgan's concerns and stated changes were planned for the board, which include efforts to add an additional female member to the board. Following JP Morgan's engagement, Lafargeholcim have introduced science based targets for reducing carbon emissions by 2030 and short term renumeration targets now include health and safety objectives.
- **Apollo** assisted Tidewater Logistics in reducing their truck traffic, fuel usage and dust emissions. This was done by relying more on electric-driven equipment. Overall, the firm was able to reduce diesel fuel consumption by nearly 20% over the year a twelve month period.
- **TwentyFour** engaged with Virgin Money regarding their refinancing. TwentyFour raised concerns over the language used in the refinancing process, as TwentyFour felt it was coercive and that the refinancing of the company would not be favourable towards bond holders (such as TwentyFour). Ultimately, the manager did not feel that their concerns were adequately taken into consideration by Virgin Money and have reviewed exposure to Virgin Money within their investment strategies.

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

The Trustees also consider the asset managers' policies on stewardship and engagement when selecting and reviewing asset managers.

Monitoring of Investment Arrangements

In addition to any reviews of asset managers or approaches, and direct engagement with asset managers (as detailed above), the Trustees receive performance reports from Apollo, Aegon and LGIM on a quarterly basis together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed: C Teagle

Date: 9 August 2021

On behalf of the Trustees of the Origin UK Pension Scheme