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 the Scheme's investment arrangements.

This Statement covers the period 1 April 2021 to 31 March 2022.

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

Changes to investment strategy

The sections below confirm the various investment strategy changes that have been agreed by the Trustees which have already been implemented, or will be implemented shortly. The Trustees will document these strategy changes in a revised SIP.

Main Section

At the start of the year, the Trustees' investment policy in the Main Section of the Scheme was to invest 20% of assets in risk-controlled multi asset funds, 20% in multi-asset income funds, 20% in multi-asset credit (corporate bond) funds, 11% in with-profits funds, 1% in commercial property, and 28% in a liability driven investment ("LDI") solution. In particular, the LDI solution was managed to provide 90% protection against changes in the Main Section's liabilities due to changes in interest rates and inflation expectations.

Following an investment strategy review in September 2021 and advised by Broadstone Corporate Benefits Ltd ("Broadstone"), the Trustees' investment consultant, the Trustees will be implementing a revised investment strategy in mid-2022 which will remove the risk-controlled multi-asset funds and re-invest these into multi-asset credit funds.

In addition, the Trustees updated the LDI solution to provide 100% protection against changes in the Main Section's liabilities due to changes in interest rates and inflation expectations. The changes to the LDI solution were implemented in late 2021.

Finally, the Trustees have agreed to dispose of the direct commercial property holdings of the Main Section, and expect this to be completed in 2022.

UAP Section

In the UAP Section of the Scheme, the Trustees' investment policy at the start of the year was to invest 25% of assets in risk-controlled multi-asset funds, 25% in absolute return credit (corporate bond) funds, and 50% in a combination of government bonds and LDI funds to provide 100% protection against changes in the UAP Section's liabilities due to changes in interest rates and inflation expectations.

Following a separate investment strategy review in September 2021 carried out by Broadstone, the Trustees implemented a revised investment strategy for the UAP Section of the Scheme in early 2022. In particular, all assets of the UAP Section were invested in a combination of hedging assets (referred to as "self-sufficiency credit funds") to provide 100% protection against the price in securing the UAP Section's benefits with an insurer due to changes in interest rates and inflation expectations, as well as generating a sustainable level of investment income to meet benefit outgo requirements as they fall due.

Defined Contribution Holdings

There have been no changes to the default investment strategy for members with either defined contribution ("DC") holdings or additional voluntary contributions ("AVCs"), or to the self-select options available to members with DC/AVC holdings (where applicable) over the year.

Since the end of the year covered by this Statement, the Trustees have re-assigned the DC holdings of the Scheme into the name of individual members, and the Scheme only retains AVCs managed by Aviva, Royal London and Utmost Life & Pensions.

Scheme Governance

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 last reviewed in October 2019. The Trustees are due to formally review these objectives by October 2022, or earlier.

Other than the strategy changes noted above, there were no other changes to the investment management agreements with Aegon, 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.

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. A revised SIP will be drafted once the above strategy changes for both Sections have been finalised.

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 the SIP in force during the year.

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, absolute return bonds and self-sufficiency credit	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 invest 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.

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.

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

Within the investment arrangements over the period covered by this Statement, the following funds contain equity holdings. Therefore, these funds 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 Fund

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 party proxy voters used are confirmed in the table below.

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 2021 to 31 March 2022 (or from 1 January 2021 to 31 December 2021 in the case of Aviva, Royal London and Utmost). The analysis is based on the latest information available from each asset manager.

Fund	Third Party Proxy Policy Used	Resolutions Voted On	Resolutions Voted: For	Against	Abstained
Aegon* Diversified Monthly Income Fund	ISS	1,189	95%	4%	1%
Aviva**	Not used – in house	50,918	76%	24%**	
LGIM Dynamic Diversified Fund	No – in house but cast votes using ISS	71,508	80%	19%	1%
Prudential***	ISS	47,321	92%	7%	1%
Royal London	Not used – in house	44,198	86%	13%	1%
Utmost****	Not disclosed	89,411	90%	8%	2%

*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 Trustees have requested details of the significant votes made on behalf of the Trustees (where voting rights are attached) and engagements made on behalf of the Trustees (where the manager has the opportunity to engage with companies). Details of these significant votes and engagements are provided below:

- **Aegon** engaged with Grainger plc, a UK real estate company that owns and develops residential property. Aegon received a letter from a residents' organisation making claims about the destruction of a "dynamic cultural centre" and listed buildings in an area that Grainger plc had received planning permission to develop on. Aegon discussed the background of the case with Grainger, establishing that Grainger went far beyond legal requirements in accommodating the independent retailers in the area and ensuring affordable rent accounts for 40% of the residential properties being created. Aegon were satisfied that the company was doing their best to balance the needs and requirements of all stakeholders, with no further action being required.

- **Apollo** met with senior management of Bank Hapoalim B.M. and encouraged additional, public progress updates on improvements in Anti-Money Laundering checks following the company's fine related to FIFA money laundering in 2020. Bank Hapoalim B.M. re-iterated the changes made following the FIFA scandal, and agreed to one-on-one calls with Apollo to provide updates on progress.

- **Aviva** provided Bruntwood, a family-owned property company, with £64 million as part of a larger 15-year sustainability-linked loan facility. Bruntwood has net zero goals for new buildings by 2030 and for its entire portfolio by 2050, and agreed to a number of sustainability performance goals as part of the deal. These goals are primarily focused on reducing its carbon emissions and procuring green energy. The goals include a commitment to review performance targets regularly throughout the term in line with an anticipated evolution of ESG measures over the loan period.

- **LGIM** put forward a shareholder proposal to Moderna requesting that the company publicly disclose how its receipt of government financial support for the development and manufacture of a COVID-19 vaccine is being considered when making decisions that affect access to such products, such as setting prices. The company is contesting the inclusion of the proposal on its agenda at the 2022 Annual General Meeting and have indicated that they will publish such a report prior to the Annual General Meeting. LGIM are currently engaging with the company.

- M&G (on behalf of **Prudential**) met with miner Rio Tinto on a number of occasions, as part of its ongoing work to support the company in developing its decarbonisation strategy and disclosure, both individually and through the Climate Action 100+ industry working group. One of the main focuses in these discussions has been around scope 3 carbon emission measurement and reporting, as part of an ambition to reduce carbon emissions and eventually get to 'net-zero'. As part of M&G's engagement with the company, M&G have been encouraging Rio Tinto's management to highlight the efforts they are making to reduce scope 1 and 2 carbon emissions and disclose the areas of scope 3 carbon emissions and developments which are possible at this stage. This includes details and metrics around partnerships with customers, the proportion of customers that have carbon emission reduction targets in place and outlining an engagement programme to broaden this out in the future.

- **Royal London** met with HSBC to discuss expectations on how banks can meet net zero targets. HSBC agreed to ensure quality disclosure on the methodological assumptions and limitations of achieving this target. Royal London specifically discussed the coverage and quality of the data to assess baselines for its targets and to ensure key emitters are covered. HSBC informed Royal London it would refresh its lending policies and add detail to its commitment to phasing out coal lending by 2040. Royal London also asked for further clarity on what HSBC understands and defines as 'transition finance' and how it engages with its clients to support this. HSBC agreed to consider the social impact of its climate plans and embedding 'Just Transition' considerations. The company informed Royal London that it included social impact in its sustainability strategy under the framing of 'inclusive' growth. Later in the year, Royal London provided feedback on HSBC's coal policy, including suggestions on how to improve the aim, scope, accountability/oversight, and timelines of the policy, as well as the use of climate transition plans as a tool. Royal London asked HSBC to specify different aspects of the policy to strengthen its immediate effect.

- JP Morgan (on behalf of **Utmost**) engaged with OCP, a Moroccan state-owned phosphate mining company with extensive operations in the Moroccan-controlled Western Sahara region. JP Morgan have had concerns that the company has not sufficiently demonstrated how its sourcing of phosphate from the Boucraâ mine is consistent with expectations on responsible business conduct for companies operating in conflict-affected areas. OCP was responsive and explained that it is in compliance with the UN framework in relation to its operations in Moroccan-controlled Western Sahara. OCP contends that some of the criticisms it has faced have been politically charged. JP Morgan have urged OCP to provide more details publicly beyond the Human Rights Policy on its website, and seek to take steps to reduce JP Morgan's concerns that OCP's practices are tantamount to a breach of the United Nations Global Compact's Principles. JP Morgan have seen OCP becoming more transparent in sharing its information on this issue with relevant stakeholders.

- **TwentyFour** reached out to BHP regarding the collapse of the Fundão tailings dam in Brazil in 2015 and the lack of action since. In BHP's response, only 96 of the 553 households displaced have been rebuilt and all 42 of the programs identified by the Renova Foundation are behind schedule. BHP provided insufficient detail on mitigation of future incidents nor actions taken to clean up and compensate for the disaster. Lack of action since the disaster highlighted intrinsic social and governance concerns despite a strong raw ESG score, and TwentyFour ultimately decided not to consider BHP for any investment across their funds.

The Trustees are comfortable with each asset manager's 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 an asset manager's 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: 26 July 2022

On behalf of the Trustees of the Origin UK Pension Scheme