# 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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated July 2022 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2022 to 31 March 2023.

## Investment Objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives are set out on page 2 of the SIP and are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due;
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments;
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plans have a reasonable chance of being achieved in practice;
- To consider implementing further measures to control volatility in the Scheme's funding position, as appropriate, if and when the funding position improves over time.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

## Review of the SIPs

The SIP was last reviewed in July 2022, shortly after the start of the Scheme year. The Trustees updated the SIP primarily to reflect changes in the investment strategy of both sections of the Scheme that were made prior to and during the Scheme year.

Prior to this, the SIP had last been updated in February 2020 to take account of investment regulations that came into force on 1 October 2020.

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 later in this Statement and are detailed in the Trustees' SIP. Aside from additional notes regarding the Trustees' views on how ESG issues are considered within each asset class used, these policies were not changed in the SIP that came in force during the year.

## Asset managers and funds in use

**Main Section**

At the start of the year, the Trustees' investment strategy was as shown in the below table. This strategy is reflected in the SIP dated February 2020 that was in force at the start of the year.

| Asset Class | Fund | Target Asset Allocation |
|---|---|---|
| **Risk-controlled multi-asset** | LGIM Dynamic Diversified Fund | 20% |
| **Multi-asset income** | Aegon Diversified Monthly Income Fund | 20% |
| **With-profits** | Aviva Red Plan | 11% |
| **Commercial property** | Direct commercial property holdings | 1% |
| **Multi-asset credit** | Apollo Total Return Fund | 20% |
| **LDI solution** | LGIM Matching Core Funds | 28% |
| **Total** | | **100%** |

During the year, the Trustees implemented a revised investment strategy, as set out in the SIP dated July 2022 and shown in the table below. The key changes to the strategy made were the removal of the risk-controlled multi-asset and property allocations, with the introduction of a second multi-asset credit fund, and an absolute return bond fund as a collateral pool to support the LDI solution (in place of the previous risk-controlled multi-asset fund).

| Asset Class | Fund | Target Asset Allocation |
|---|---|---|
| **Multi-asset income** | Aegon Diversified Monthly Income Fund | 20% |
| **With-profits** | Aviva Red Plan | 12% |
| **Multi-asset credit** | Apollo Total Return Fund | 20% |
| **Multi-asset credit** | Royal London Multi Asset Credit Fund | 18% |
| **LDI solution** | LGIM Matching Core Funds<br>LGIM Absolute Return Bond Fund | 30% |
| **Total** | | **100%** |

Following the latest SIP put in place, and in light of market events during September/October 2022, the Trustees agreed to an updated investment strategy, as set out in the table below. The key changes to the strategy made within this revised strategy were the removal of the with-profits allocation, the replacement of the Aegon multi-asset income fund with an equivalent fund managed by LGIM, and an increased allocation to the absolute return bond fund to act as a collateral pool to support the LDI solution.

| Asset Class | Fund | Target Asset Allocation |
|---|---|---|
| **Multi-asset income** | LGIM Retirement Income Multi Asset Fund | 20% |
| **Multi-asset credit** | Apollo Total Return Fund | 20% |
| | Royal London Multi Asset Credit Fund | 20% |
| **LDI solution** | LGIM Matching Core Funds<br>LGIM Absolute Return Bond Fund | 40% |
| **Total** | | **100%** |

The removal of the with-profits fund is expected by early 2024, which will fully implement the strategy shown above. Furthermore, the Trustees are in the process of updating their SIP to reflect this revised strategy.

**UAP Section**

At the start of the year, the Trustees' investment strategy was as shown in the below table. This strategy is not reflected in the SIP dated February 2020 that was in force at the start of the year, though is reflected in the revised SIP dated July 2022 that came into force during the year. The strategy shown below remains in force at the year end.

| Asset Class | Fund | Target Asset Allocation |
|---|---|---|
| **Self-sufficiency credit** | LGIM Self-Sufficiency Credit Funds | 100% |
| **Total** | | **100%** |

**Defined Contribution ('DC') Holdings**

At the start of the year, the Scheme held assets in respect of defined contribution holdings managed by Prudential, which the Trustees re-assigned into the name of individual members during the year.

At the year-end, the Scheme only retains Additional Voluntary Contributions ('AVCs') managed by Aviva, Royal London and Utmost Life & Pensions.

## Investment Governance

The Trustee Board is responsible for making investment decisions, and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('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).

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were reviewed by the Trustees in December 2022. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

## Trustees' Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

| Requirement | Policy | Implementation of Policy |
|---|---|---|
| **Selection of Investments** | The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.<br><br>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.<br><br>The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.<br><br>The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.<br><br>The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme. | No deviation from this policy over the year to 31 March 2023. |
| **Balance of Investments** | The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.<br><br>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment. | No deviation from this policy over the year to 31 March 2023. |
| **Delegation to Asset Managers** | The Trustees will delegate the day-to-day management of the Scheme's assets to professional asset managers and will not be involved in the buying or selling of investments. | No deviation from this policy over the year to 31 March 2023. |
| **Realising Investments** | The Trustees will make any additional disinvestments required from the Asset Managers with the assistance of their administrators and advisers as necessary. | No deviation from this policy over the year to 31 March 2023. |

| Requirement | Policy | Implementation of Policy |
|---|---|---|
| **Maintaining the Target Asset Allocation and Hedging Levels** | The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation.<br><br>LGIM also has responsibility for implementing specific levels of hedging against interest rate risk and inflation risk using the self-sufficiency hedging asset solution and LDI funds, with an agreed level of discretion to rebalance the allocation to maintain the desired characteristics. | No deviation from this policy over the year to 31 March 2023, however, the target asset allocation was not in-line with the Trustees' investment strategy nor the SIP in force at the year end, due to ongoing restructuring of the asset allocation. The assets are expected to be in line with the target allocation by early 2024.<br><br>The level of hedging exposure was broadly in line with its target as at the year end. |
| **Performance Benchmarks and Objectives** | The multi-asset income fund, multi-asset credit funds, and absolute return bond fund held at the year-end are actively managed, and the Asset Managers have been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark. The multi-asset income fund has the additional objective to provide a sustainable level of annual income fund to the Main Section to help provide benefit outgo.<br><br>The LGIM Self-Sufficiency Credit Funds and LGIM Matching Core Funds have an objective to provide a level of return consistent with a target level of sensitivity to changes in long-term interest rates and inflation expectations. The combination of funds used is intended to meet the Trustees' target levels of hedging against the interest rate risk and inflation risk associated with the liabilities of each Section of the Scheme. The LGIM Self-Sufficiency Credit Funds also have an objective to generate income to match defined profiles of benefit payments for the UAP Section. The practical method of implementing the levels of hedging and generating the cashflow is delegated within both the Self-Sufficiency Credit Funds and Matching Core Funds to the manager, with the expectation that LGIM will choose the most cost-effective method.<br><br>The Aviva with-profits fund has no explicit performance benchmark or objective. The fund has an underlying guaranteed rate of investment return that is valuable in the context of current market conditions. | The Scheme's performance benchmarks and objectives were in line with the SIP.<br><br>The performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2023. |
| **Investment Management Charges** | The investment management charges of the funds used are set out on page 6 of the SIP. | No deviation from the management charges over the year to 31 March 2023. |
| **Financially and Non-Financially Material Considerations** | The Trustees' policy on financially and non-financially material considerations is set out on page 10 of the SIP and in full below. | No deviation from this policy over the year to 31 March 2023 (see below). |

| Requirement | Policy | Implementation of Policy |
|---|---|---|
| **Engagement and Voting Rights** | 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.<br><br>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. | No deviation from this policy over the year to 31 March 2023 (see below). |
| **Additional Voluntary Contributions** | The Scheme holds AVCs separately from the assets backing defined benefits via investments held with Aviva Life & Pensions UK, Utmost Life & Pensions and Royal London Mutual Insurance Society. | No deviation from this policy over the year to 31 March 2023. |

## Financially and non-financially material considerations

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' views on how ESG issues are taken account of in each asset class used is set out below.

| Asset Class | Active/Passive | Trustees' views |
|---|---|---|
| **Multi-asset income 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 their asset managers to engage with the underlying investee companies, where possible, although they appreciate that any fixed income assets held within the funds do not typically attract voting rights. |
| **Multi-asset credit, self-sufficiency hedging assets 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 funds 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 the underlying investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights. |
| **LDI** | Active | The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, 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. |

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. The Trustees receive regular information from the Asset Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

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.

## Voting rights and engagement activities

The Trustees currently invest in pooled investment funds with the asset managers, and the Trustees acknowledge that this limits their ability to directly influence each asset manager. In particular, all voting activities 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.

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.

Out of the funds held by the Trustees over the year, the managers shown in the table below operate funds the Scheme invests in that contain publicly listed equity holdings. These funds have voting rights attached to the underlying equities held within the funds, and the Trustees have delegated these voting rights to the managers, where each manager sets its own voting policy. A summary of the votes made by the managers from 1 April 2022 to 31 March 2023 on behalf of the Trustees for each fund used by the Trustees during the year was requested from the respective managers. It was requested that the managers provide voting data broken down into Environmental, Social and Governance categories. However, the managers have informed us that the data is not yet available in this format. The Trustees will continue to request the breakdown of this data in future periods. The data in the table below is therefore provided at the total fund level (or at the total manager level in the case of Aviva). For the LGIM Dynamic Diversified Fund, this has been included for completeness even though it was removed during the year, as the Scheme has other holdings managed by LGIM held during the year.

| Manager | Fund | Resolutions Voted On | Resolutions Voted: | | |
|---|---|---|---|---|---|
| | | | For | Against | Abstained |
| LGIM | Dynamic Diversified Fund | 99,478 | 77% | 22% | 1% |
| Aegon* | Diversified Monthly Income Fund | 681 | 96% | 4% | - |
| Aviva | With-Profits Sub-Fund** | 11,343 | 74% | 22% | 4% |

*Aegon resolutions do not duplicate resolutions with multiple votes.
**This contains a range of with-profits approaches managed by Aviva, including the Aviva Red Plan

As at the end of the year, all of the Scheme's assets are invested in pooled funds. Information regarding proxy voting, for managers where the Scheme invested in a fund which has voting rights, is detailed below:

- LGIM do not use a proxy-voting service and voting is performed in-house.
- Aegon use Institutional Shareholder Services (ISS) and Institutional Voting Information Service (IVIS) for research when making voting decisions, and votes are cast via ISS's Proxy Exchange platform.
- Aviva use ISS for research when making voting decisions, though voting is performed in-house.

## Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by each manager of a fund which has voting rights. In determining significant votes, each manager's investment stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

| SIGNIFICANT VOTE 1 | |
|---|---|
| Asset Manager | LGIM |
| Company | Royal Dutch Shell Plc |
| Date of vote | 24 May 2022 |
| % of portfolio invested in firm | 0.3% |
| Resolution | Resolution to Approve Shell Energy Transition Progress |
| Why significant | LGIM remain concerned of the company's disclosed plans for oil and gas production as it is important for companies, especially those in the oil and gas sector, to set a clear and credible climate transition strategy. |
| Voting decision | Voted Against |
| Manager comments | *"LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote."* |
| Vote outcome | Resolution Passed |

| SIGNIFICANT VOTE 2 | |
|---|---|
| Asset Manager | Aegon |
| Company | GSK |
| Date of vote | 4 May 2022 |
| % of portfolio invested in firm | 0.9% |
| Resolution | Approve Remuneration Report |
| Why significant | Aegon have considered this vote to be significant as they chose to vote against management's recommendation. |
| Voting decision | Voted Against |
| Manager comments | *"The Company last submitted its remuneration policy in 2020, to cover the three year period up till the end of 2022. It is now proposing, a year earlier than expected, to submit a revised remuneration policy. This is predominantly because it wishes to increase the annual bonus limit from 200% to 300% of salary. This would leap frog the amount available at Astrazeneca (which increased their limit to 250% last year) and would result in the largest bonus opportunity of all companies in the FTSE 10.*<br>*The Company states that in increasing the opportunity, additional stretch is being added at the top end, and rather than threshold performance being set at 95% of target, threshold going forward will be set at 99% of target. Whilst this approach has merit, we question the robustness of the bonus target setting process. Average pay-outs since 2015 have been at 84% of the maximum available. This exactly matches the average pay-out at Astrazeneca. However, the shareholder experience at the latter has been markedly better. Indeed, GSK often sets target PBT* [Profit Before Tax] *(which determines 70% of the bonus) below the previous year's outcome. Since 2017, PBT has increased, in total, by 2.9%.*<br>*The decision to resubmit its remuneration policy a year early appears rather opportunistic. The demerger and subsequent listing of the Consumer Healthcare arm (to be named Haleon) is expected in July. As a result, GlaxoSmithKline will have a significantly smaller market capitalisation and be less complex. The Company argues that its current structure is uncompetitive when compared to the FTSE 10 – this may be true to an extent. However, its position within the FTSE will change in July, as will its position within its sector peer group.*<br>*Both the timing and the magnitude of the increase appear inappropriate"* |
| Vote outcome | 38.24% of votes were against |

| SIGNIFICANT VOTE 3 | |
|---|---|
| Asset Manager | Aviva |
| Company | EasyJet Plc |
| Date of vote | 2 February 2023 |
| % of portfolio invested in firm | 0.04% |
| Resolution | Approve Remuneration Report |
| Why significant | Aviva have considered this vote significant as the governance issues identified are potentially material to the investment case. |
| Voting decision | Voted Against |
| Manager comments | *"The company had approved restricted share awards as a part of the remuneration policy last year, though with significant dissent. They granted maximum award size in the year under review, despite the significant drop in share price performance. In addition, bonus outcomes were not cognisant of financial results.*<br>*The result of the AGM signalled considerable dissent on the pay item, which the company will need to address in engagement. It is expected that vesting outcomes of those awards granted this year will need to be reduced in vesting year to account for windfall gains. This will be reviewed, and voting action will be used if a sufficient response is not demonstrated by the company."* |
| Vote outcome | Resolution passed |

## Engagement activities

The Trustees have also delegated engagement activities to the Asset Managers. The notable engagement activities of the Asset Managers are provided below:

- **Aegon** engaged with Trian Investors 1, an investment vehicle established to invest in and drive changes in an underperforming company, between June 2021 and September 2022. In 2021, the vehicle was changed to allow greater flexibility of management to use investment returns to invest in other companies, instead of returning proceeds to shareholders, which saw a large protest from shareholders (c. 48% of votes cast against). Aegon met with the company following their 2021 Annual General Meeting to discuss the reasons for the dissenting votes, though the company showed a lack of willingness to resolve the situation. Following this, Aegon supported a group of shareholders who formed an Ad Hoc Committee to further engage with the company's management and filed for an extraordinary general meeting to change the composition of the Board. Ultimately, shareholders voted to replace the Chair of the Board, with the vehicle's strategy subsequently being adjusted and the vehicle due to wind up, with proceeds returned to shareholders, by June 2023.

- **Apollo** engaged with Moss Creek Resource Holdings Inc., a company focusing on the exploration and production of oil and natural gas, regarding their environmental and governance risk. To mitigate its environmental impact, Moss Creek shared with Apollo that the company has prioritised reducing emissions in its operations, primarily by reducing flaring (the burning of natural gas associated with oil extraction) and through the build out of an extensive water infrastructure and recycling system (which reduces the need for thousands of miles of truck driving and for freshwater extraction). Apollo also established that Moss Creek's US assets are ringfenced from the parent entity, mitigating governance risks, and that management has taken steps to improve its governance structure (most notably via the creation of a Corporate Responsibility Team and the engagement of a third-party consultant to gather stakeholder feedback).

- **Aviva** engaged with three major UK retail energy suppliers (Scottish Power, E.ON and Centrica) to better understand what they were doing to support vulnerable customers in the wake of the soaring cost of energy in the UK. Aviva made recommendations based on regulatory requirements and good practice they observed across the sector, including prioritising the rollout of smart meters for prepayment customers and introducing more affordable debt repayment programmes. Aviva also spoke to the UK's energy regulator, Ofgem, regarding its plans to protect vulnerable customers and strategy for longer-term sector reform, as well as thinktanks and fuel poverty charities to support their engagement work.

  Aviva report that progress on energy affordability has been disappointing, as Ofgem published findings in late 2022 that showed the energy sector was failing to support vulnerable customers. In addition, a recent Times investigation on forced prepayment meter installation by British Gas, a subsidiary of Centrica, is symptomatic of the concerns that Aviva have raised about industry practices regarding vulnerable customers. Aviva also co-signed a letter alongside several charities and private sector businesses to the UK Prime Minister, Rishi Sunak, to support making energy efficiency a national priority. The UK government has since announced a package of investments in energy efficiency and home insulation.

- **Royal London** met with Rio Tinto twice, once as part of a group call with the Chief People Officer (CPO) and once with the Chair of the Board, following Rio Tinto releasing its external review of workplace culture, which identified findings of systemic bullying, sexism, sexual harassment, racism, and other forms of discrimination (which was a result of a study which saw thousands of employees share their experiences via an online survey, group and individual listening sessions, and individual written submissions). The report outlined detailed recommendations which Rio Tinto intends to implement to improve the company's prevention and response mechanisms in this area.

  Reactions from employees have been positive so far and there has been a significant increase in people coming forward since the report's publication. In addition, company executives' bonus plan will be linked to the outcome of the review.

At the time of the 2022 AGM, a 5% downward adjustment was applied to the bonus, which Royal London felt was reasonable as the current executive team was not in place at the time of the report's findings and have made strides to address the concerns raised. Interim progress updates on the implementation of recommendations of the review were shared with Royal London and further updates are expected in the next annual report.

- **LGIM's** Investment Stewardship and Climate Solutions teams spoke directly with the management of Capricorn, a smaller-scale oil and gas company who announced their intention to merge with other energy companies in 2022, which had raised some concerns about the company's governance and decision-making process. LGIM voiced their concerns about the first proposed transaction to African-based Tullow Oil, as it did not seem to advance the energy transition strategy for Capricorn's shareholders, in light of the increased exposure to oil prices and geographical risks. Additionally, LGIM believed that such a merger would have resulted in increased financial leverage and dramatically elevate climate transition risks. In further conversations with Capricorn, LGIM asked detailed questions about the process they had gone through in terms of deciding on this merger and whether other alternatives were considered. Nevertheless, despite mounting opposition from LGIM and other shareholders, Capricorn and Tullow initially proceeded with the merger before a decision was taken by Capricorn to abandon it, citing concerns about market conditions and external factors as the reason.

  A second merger proposal with NewMed, an Israeli-based natural gas producer, was met with rising suspicion and even less support than the first. LGIM met again with Capricorn to voice their concerns. As a result of these unpopular proposals Palliser Capital, a key shareholder of Capricorn, called an Extraordinary General Meeting in January 2023 for shareholders to vote on a complete overhaul of the Capricorn Board of Directors.

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 on a quarterly basis from Apollo, Aegon, Royal London and LGIM, 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:** **27 October 2023**

**On behalf of the Trustees of the Origin UK Pension Scheme**