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 10 September 2020.

This Statement covers the period 1 April 2019 to 31 March 2020.

Asset managers and funds in use

The investment funds used for both the Main Section and UAP Section of the Scheme, together with the investment funds used by members with defined contribution holdings, are set out in the tables below. Any funds used as default funds within the defined contribution holdings have been identified.

Main Section

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

*formerly Kames

UAP Section

Asset Class	Manager	Fund	Target Asset Allocation
Risk-controlled multi-asset	LGIM	LGIM Dynamic Diversified Fund	25%
Absolute return bonds	TwentyFour	TwentyFour Absolute Return Credit Fund	25%
LDI and government bonds	LGIM	LGIM Matching Core Funds and LGIM Single Stock Gilt Funds	50%
Total			**100%**

Defined Contribution Arrangements

Asset Class	Manager	Fund	Default Fund?
With-profits	Aviva	Aviva With Profits Fund	Yes
With-profits	Equitable Life	Equitable Life With Profits Fund*	Yes
With-profits	Prudential	Prudential With Profits Fund	Yes
Multi-asset	Prudential	Prudential Discretionary Fund	
With-profits	Royal London	Royal London Deposit Account Fund	Yes
With-profits	Utmost	Utmost Investing By Age**	Yes

*AVCs previously held in the Equitable Life With Profits Fund were transferred to Utmost on 1 January 2020, following the wind-up of Equitable Life and the transfer of all assets and liabilities to Utmost.
**Held in a cash account until 30 June 2020, and then gradually switched into the Utmost Investing by Age approach by 31 December 2020 following the transfer of AVCs from Equitable Life to Utmost in January 2020.

Strategy Review

During the year, the Trustees implemented a new target allocation for the Main Section and UAP Section, based on initial advice from Broadstone Consultants & Actuaries ('Broadstone' - formerly BBS Consultants & Actuaries) provided to the Trustees in February 2019. The changes initially considered are detailed below:

- **Main Section**: The previous holdings in global equities managed by LGIM and risk-controlled multi-asset fund managed by Aberdeen Standard Investments (ASI) to be replaced with a new holding in multi-asset income managed by Aegon (formerly Kames) and a new holding in private credit approach managed by Apollo.

- **UAP Section:** The previous holding in the risk-controlled multi-asset fund managed by ASI to be replaced by a new holding in absolute return bonds managed by TwentyFour.

The Trustees met Apollo in March 2019 to consider their private credit approach, and a formal recommendation on all new asset managers, together with the impact on annual management charges of the wider strategy, was provided by Broadstone to the Trustees in April 2019. The Trustees agreed to these recommendations, and implemented the change in strategy between July and September 2019.

These strategy changes were made to reduce funding risk within both Sections of the Scheme, thereby meeting the Trustees' investment objective of controlling the volatility in the Scheme's funding position (when the opportunity arises).

The Trustees implemented the change in strategy using pooled funds with all asset managers, to reflect the size of assets involved, and directly with the asset managers, to ensure the Trustees retain regular, direct contact with their asset managers on a periodic basis. The new funds are managed on an active basis, to reflect the asset class they are invested in and their individual performance targets.

As part of the strategy change, the Trustees agreed to not place any specific restrictions relating to environmental, social and governance (ESG) issues on either the asset managers appointed or approaches used.

The Trustees made no changes to the defined contribution arrangements during the year, though the defined contribution arrangements previously held with Equitable Life were transferred to Utmost on 1 January 2020 (as detailed in the Chair's Statement dated 10 September 2020 in Sections 1 and 2). The Trustees carried out a value for members assessment of the defined contribution arrangements in September 2019, and reviewed the performance of the defined contributions arrangements in October 2019. From this, the Trustees concluded the defined contribution arrangements provide overall good value for members, and note that their ability to put in place alternative defined contribution arrangements is limited by the presence of investment guarantees and the size of assets involved.

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 are due to formally review these objectives by October 2022, or earlier.

There were also no changes to the investment management agreement with Aviva, LGIM, Prudential Royal London and Utmost (previously Equitable Life) during the year, whilst new investment management agreements were put in place with Aegon (formerly Kames), Apollo and TwentyFour (as detailed above).

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.

With the exception of the change in strategy noted above, there were no other 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 it appreciates 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 its 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 2019 to 31 March 2020 (or from 1 January 2019 to 31 December 2019 in the case of Aviva and Royal London), based on the latest information available from each asset manager.

				Resolutions Voted:		
Manager	**Pooled or Segregated?**	**Third Party Proxy Voter**	**Resolutions Voted On**	**For**	**Against**	**Abstained**
Aegon*	Pooled	ISS	520	57%	22%	21%
Aviva	Pooled	Not used – in house	61,876	76%	24%**	
LGIM	Pooled	Not used – in house	51,914	83%	16%	1%
Prudential* **	Pooled	ISS	22,847	94%	5%	1%
Royal London	Pooled	Not used – in house	15,618	90%	9%	1%
Utmost****	Pooled	Not disclosed	2,925	94%	6%	0%
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.
***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 – only Q1 2020 votes are covered at this time due to transfer of AVCs from Equitable Life to Utmost.

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.

- **Aviva** and **LGIM** collaborated in putting forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. LGIM worked with the board of BP to secure its support for the motion. BP has announced new targets including net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.

- M&G (on behalf of **Prudential**) engaged with HSBC regarding with regards to the policy that the bank would not finance any new coal-fired power stations. M&G were concerned by exceptions that were included within the policy. However, HSBC re-assured M&G that no new coal stations had been financed, the existing exceptions would expire at the end of 2020, and hurdles were in place that would make it unlikely for such a project would be financed in reality. Furthermore, HSBC advised the exceptions were crucial to maintain influence in the taking the sustainability agenda forward.

- **Royal London** engaged with Euromoney Institutional Investor Plc after the company's Remuneration Committee proposed changes to the company's incentive policies. The company had proposed that incentives would be based on revenue growth, rather than earnings per share growth. However, Royal London had concerns on the behaviour and direction theses changes could lead to. After Royal London's engagement, the company agreed to provide equal weighting to revenue growth and earnings per share in their performance measures.

- JP Morgan (on behalf of **Utmost**) voted against the binding Remuneration Policy at Greencore Group, after the company did not commit to bringing down the level of pension contributions for company executives. Following the vote, the company's board has committed to consulting with shareholders, and this will be one of JP Morgan's engagement priorities for the year.

- **Apollo** acquired Sun Country Airlines in 2018, and has worked with the company to reduce fuel consumption by 12% across its fleet of aeroplanes over a period of one year.

- **TwentyFour** engaged with Esure after noting a drop in the level of transparency and weaker governance from the insurance company after being acquired by a private equity fund. TwentyFour raised concerns that the company was favouring equity holders over debt holders, and having been unsatisfied with the company's response, TwentyFour sold their holdings when market conditions permitted.

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 Consultants & Actuaries on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed: **CLAIRE TEAGLE, HR TRUSTEES LTD**

Date: **15 OCTOBER 2020**

On behalf of the Trustees of the Origin UK Pension Scheme