



Innovene Pension Plan Implementation Report

September 2021

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and pension plans need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that pension plans detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Trustee updated the Plan's SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address [2020-sip---ipp---digital--1.pdf \(ineos.com\)](https://www.ineos.com/2020-sip---ipp---digital--1.pdf). Changes to the SIP are detailed on the following pages.

Implementation Report

This implementation report is to provide evidence that the Trustee continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement covering engagement actions with the Plan's fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 December 2020 for and on behalf of the Trustee including the most significant votes cast by the Trustee or on its behalf

Summary of key actions undertaken over the Plan reporting year

The Trustee reviewed the Plan's Liability Driven Investment ("LDI") portfolio over the year to ensure the target hedge was in line with the latest available cashflow data provided by the Plan Actuary. Isio liaised with Legal & General Investment Management ("LGIM") to develop a new solution for the Plan using the latest cashflows accounting for the significant transfer values paid since the previous actuarial valuation. The new solution was modelled to smooth the Plan's hedge across the liability profile in addition to targeting a hedge ratio in line with each Plan's funding level to protect against interest rate and inflation risk on a Technical Provisions basis.

The Trustee reviewed the investment strategy and explored the benefits of introducing Infrastructure Equity as an asset class to the Plan's portfolio of assets for further diversification, to provide an additional element of inflation protection and provide a

further source of income for cashflow requirements. The Trustee undertook a manager selection exercise towards the end of the year and reviewed various managers proposed by Isio. The Trustee finalised a commitment to the J. P. Morgan Infrastructure Investment Fund at the end of October with the first draw down into the fund expected in 2021, to be sourced from the current passive L&G Equity portfolio. The Statement of Investment Principles will be updated once the investment is made.

Implementation Statement

This report demonstrates that the Innovene Pension Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed by the Trustee of the Innovene Pension Plan

September 2021

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge the Plan's funding level to protect against interest rate and inflation risk on a Technical Provisions basis.	The Trustee updated the Plan's level of hedging in December 2020, to allow for the latest available cashflow data provided by the Plan Actuary to better protect the Plan against interest rate and inflation risk.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members' benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The investment strategy distributes regular income to assist in paying benefits as they fall due. Whilst there is no explicit cash allocation, the Trustee monitors the Plan's cashflows monthly.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Plan reduces market risk by diversifying its assets across a range of asset classes and investment managers. These allocations are monitored on a quarterly basis relative to the Strategic Asset Allocation (set out in the SIP) in the Investment Performance Report.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.	The Plan reduces credit risk by diversifying its assets across a range of different credit issuers which provide exposures to a range of sectors and geographies. These positions are monitored on a quarterly basis relative to the Strategic Asset Allocation in the Investment Performance Report.

Environmental, Social and Governance	<p>Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.</p>	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory <p>The Trustee monitors the managers on an ongoing basis.</p>	<p>The ESG policy was reviewed by the Trustee as part of the SIP update in September 2019.</p> <p>The Trustee is scheduled to review the ESG policies of their underlying investment managers, and the actions taken, over the next 12 months.</p> <p>Managers will be required to update the Trustee on actions they have taken in respect of ESG factors and their engagement activity when they attend meetings with the Trustee.</p> <p>More details of the ESG policy and how it was implemented are presented later in this report.</p>
Currency	<p>The potential for adverse currency movements to have an impact on the Plan's investments.</p>	<p>Hedge all currency risk on all assets that deliver a return through contractual income where possible.</p> <p>The Trustee is comfortable being exposed to currency risk from the equity portfolio; however, the currency risk from other overseas investments is hedged back to Sterling where possible.</p>	

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Trustee's policy with regards to ESG as a financially material risk. This page details how the Trustee's ESG policy is implemented. The rest of this statement details the view of the managers, actions for engagement, and an evaluation of the stewardship activity.

The below table outlines the areas which the Plan's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the ESG policies and engagements periodically to ensure they remain fit for purpose.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	<ul style="list-style-type: none">• As part of any manager selection exercise, ESG considerations will form part of the evaluation criteria.• The Trustee will obtain training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;• As part of ongoing monitoring, the Trustee will use any ESG ratings information provided by their investment consultant to assess how the Plan's investment managers take accounts of ESG issues;• Through its investment consultant, the Trustee will request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on a regular basis.	<ul style="list-style-type: none">• The manager has not acted in accordance with their policies and frameworks.• The investment managers' ability to abide by the Trustee Directors' ESG policies ceases due to a change in the manager's ESG policies.

ESG summary and engagement with the investment managers

Manager and Fund	ESG Summary	Actions identified	Engagement details
Baillie Gifford Global Alpha Growth Fund	Baillie Gifford view the assessment of ESG factors as a risk-management exercise. This translates into a case by case analysis of ESG risks and opportunities, rather than a filter out approach.	<p>Baillie Gifford should consider introducing fund-specific ESG objectives and introduce measures to assess engagement effectiveness.</p> <p>Baillie Gifford should also consider collecting more data from portfolio companies to improve the reporting on ESG metrics.</p>	Isio engaged with Baillie Gifford in Q2 2020 on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio reports back to the Trustee with updates on the Baillie Gifford engagements.
Veritas Global Focus Common Contractual Fund	Veritas' long-term investment philosophy naturally excludes poor scoring ESG stocks from the portfolio. However, Veritas do not directly exclude stocks based solely on ESG metrics, therefore companies which score poorly may be included in the portfolio. Whilst the main focus of the Fund is to identify stocks which have the potential to deliver long-term growth, we believe Veritas' track record of engaging with companies to encourage ESG disclosures is positive.	<p>Veritas should engage with investee companies to a greater extent on Social and Environmental risks, and include further analysis of ESG reporting metrics in their quarterly reports to investors.</p> <p>Veritas should collaborate with other equity managers and ESG organisations to discuss best practice approaches, host ESG-related events/workshops and increase awareness on key ESG issues.</p> <p>Veritas should appoint a dedicated ESG Officer who will have oversight of all ESG internal processes and engagements with external stakeholders.</p> <p>Veritas should use third party research providers, such as Sustainalytics, to supplement their internal research processes and their monitoring of investee companies.</p>	<p>Isio engaged with Veritas in Q2 2020 on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio reports back to the Trustee with updates on the Veritas engagements.</p> <p>As of Q2 2020, Veritas began including carbon analysis into their quarterly reporting package. There has been no indication as to whether further reporting enhancements will be made in the future.</p>
L&G World Equity Fund and L&G Cash Fund	LGIM have shown a strong commitment to highlighting, identifying and managing ESG risks across their entire fund range, including their passive equity funds. As	<p>LGIM should consolidate the ESG scores of the underlying portfolio companies to generate a portfolio level score, making it easier for investors to digest the ESG impact of the fund.</p> <p>LGIM should provide further evidence that they are making</p>	Isio engaged with LGIM in Q2 2020 on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio reports back to the Trustee with updates on the LGIM engagements.

M&G - Alpha Opportunities Fund	<p>a market leader in their approach to ESG, LGIM have developed a clear and comprehensive framework for scoring portfolio companies on ESG factors. They actively communicate these scores to the companies and engage with them directly to help mitigate ESG risks.</p>	<p>progress towards diversity at a firm level and also within the portfolio management team.</p> <p>LGIM should integrate ESG reporting into their standard, quarterly client reports. While LGIM currently produce numerous, comprehensive reports on ESG, they are separate from the standard reporting. LGIM are planning to do this by the end of 2020.</p>	<p>LGIM have provided a range of materials on their progress on diversity at the board and firm level, listing a number of encouraging initiatives promoting this.</p> <p>LGIM noted a timeline for reporting ESG metrics, earmarking Q2 2021 for release of quarterly client ESG reports.</p>
	<p>M&G have evidenced their ability to consider the significance of ESG factors in this Fund. M&G should consider measurable ESG aims for the Fund and increase the number of ESG risk metrics that are being monitored. Although M&G are actively developing their integrated ESG approach in investment decisions, M&G should consider more in depth reporting for clients and progress reports on aims for the Fund.</p>	<p>M&G currently have a qualitative approach and are working towards a more quantitative approach (scorecard). M&G should seek to roll this out for all analysts, and they can develop an integrated ESG scoring system which scores both at an individual issuer level and also at a sector/country level.</p> <p>M&G should clearly publicise engagements throughout the quarter on their website and provide updates on past engagements in their quarterly reports and on their website – with engagements focused on companies the Fund invests in.</p> <p>M&G should increase the number of risk metrics they monitor such as, climate change and the sensitivity to these metrics to the portfolio.</p>	<p>Isio engaged with M&G in Q2 2020 on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio reports back to the Trustee with updates on the M&G engagements.</p>
M&G Secured Property Income Fund	<p>M&G have an established Responsible Investment framework and carry out extensive ESG analysis as part of their due diligence. SPIF has a strong history of active engagement and collaboration on ESG related topics.</p>	<p>M&G should provide energy and carbon emissions performance as part of their regular reporting and increase the proportion of assets within SPIF covered by Green Certification.</p> <p>M&G should develop smart capture methods to measure the energy usage of properties, and thereby increase the accuracy of data efficiently from a tenant's perspective.</p> <p>M&G should provide reporting to a similar level as gender pay gap reporting on other inclusion and diversity factors such as ethnicity, nationality and social standing.</p>	<p>Isio engaged with M&G in Q2 2020 on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio reports back to the Trustee with updates on the M&G engagements.</p>
L&G Liability Driven Investment	<p>LGIM have a team dedicated to understanding and assessing the impact of ESG factors for the wider business.</p>	<p>LGIM should include the ESG scoring of counterparties in regular client reporting of LDI Funds.</p>	<p>LGIM noted a timeline for reporting ESG metrics and scoring, earmarking Q2 2021 for release of quarterly client ESG reports.</p>

	<p>LGIM use proprietary tools to quantify and monitor ESG risk, and believe engaging with regulators, governments and other industry participants will help to mitigate ESG risk.</p>		
Permira Private Market Credit Solutions III Fund	<p>Permira have demonstrated they consider ESG risks in their approach to investments and manage these risks appropriately. Their overall approach is positive and Permira are looking to further develop their ESG screening on potential deals, and on the private equity sponsors they work with. The lack of client reporting has been raised with the manager, and this is noted as an area that needs improvement.</p>	<p>Permira should offer relevant reporting to clients with the appetite to learn more about the ESG characteristics of the manager's portfolio companies. Another form of reporting could focus on the extent of Permira's engagement with portfolio companies to improve ESG characteristics.</p> <p>Permira could look to track ESG Key performance indicators across the portfolio with the goal of highlighting key areas of development for portfolio companies.</p>	<p>Isio engaged with Permira in Q2 2020 on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio reports back to the Trustee with updates on the Permira engagements.</p>

Engagement

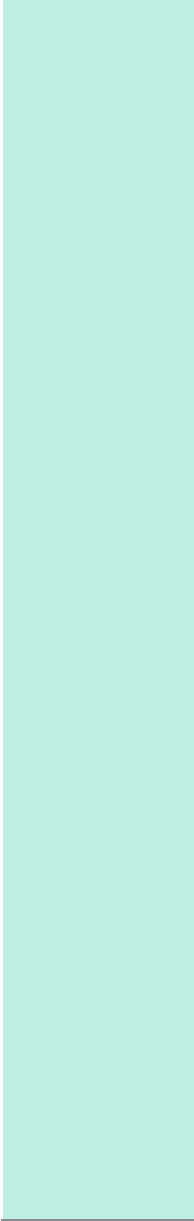
As the Plan invests via fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 December 2020.

Fund name	Engagement summary	Commentary
Baillie Gifford Global Alpha Growth Fund	<p>Total Engagements: 88</p> <p>Corporate Governance: 28</p> <p>Environmental / Social: 27</p> <p>AGM or EGM Proposals: 29</p> <p>Executive Remuneration: 4</p>	<p>Baillie Gifford actively engage with companies they hold on behalf of their clients with regards to ESG issues. Baillie Gifford encourage change through engagement rather than disinvestment in the first instance however, if material issues are not resolved then disinvestment is considered.</p> <p>Examples of significant engagements include:</p> <p>Ryanair Holdings Plc. – BG spoke with the sustainability director about how the business can reduce carbon emissions in the short and long-term. In the short term, Ryanair are disclosing carbon figures on a monthly basis and have set carbon targets which are realistic as they consider the predicted efficiencies of aircraft currently on order. BG made suggestions on how carbon modelling could be improved by incorporating science-based targets and their views were welcomed.</p> <p>Amazon.com – A meeting with founder CEO Jeff Bezos led to questions about media criticism and regulation. Bezos remarked that increasing media attention is evidence of Amazon's significance. Although this scrutiny is not new, it is more amplified than</p>

		<p>before. BG note that Amazon's readiness to engage with issues is encouraging. Recent examples include the company's decision to raise the minimum wage for US workers to \$15 per hour and its advocacy to raise the federal minimum wage, as well as a commitment to meet its obligations to the Paris Agreement on climate change a decade early. BG continue to engage with Amazon to understand more about its attitudes and actions to addressing social and environmental concerns that may affect its long-term growth. Labour conditions remain an area for further research and BG will again visit a fulfilment centre in the coming months.</p>
Veritas Global Focus Common Contractual Fund	Total Engagements: 4	<p>Veritas have a track record of engaging with companies to encourage disclosure of ESG factors, including carbon usage and gender pay gap reports. As equity holders in public companies, Veritas have strong engagement rights compared to other managers, and the relatively small number of holdings in the portfolio (c.30) allows the team to engage frequently and in more detail with individual companies.</p> <p>Examples of significant engagements include:</p> <p>Svenska Handelsbanken - Veritas engaged with Svenska Handelsbanken in light of the bank's announcement that it would change its policy on bonus remuneration. The bank previously did not pay any bonuses for over 40 years and operated a profit-sharing scheme only for those individuals over 60. Veritas suggested measures the bank should implement in order for employees to remain aligned with shareholders. Veritas exited the position as they felt their suggestions were unlikely to be implemented.</p>

		<p>Sonic Healthcare - Veritas engaged with Sonic Healthcare on their short term and longer-term targets with respect to the company's remuneration approach. Following Veritas's suggestions on how they felt the approach could be improved, Sonic Healthcare agreed to implement the suggestions made.</p>
L&G World Equity Fund	<p>LGIM currently do not provide details of their engagement activities at Fund level, however the firm is considering how such information can be provided going forward. Isio will work with LGIM on the development of the firm's engagement reporting.</p>	<p>LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p>
L&G Cash Fund		
M&G Alpha Opportunities Fund	<p>Total engagements: 6</p> <p>Environmental: 2</p> <p>Governance: 4</p>	<p>M&G have a systematic approach around engagements in which specific objectives are outlined in advance and measured based on the outcomes from the engagements.</p> <p>Where engagements are deemed to be necessary, analysts engage with issuers supported by M&G's Corporate Finance and Stewardship Team, allowing them to leverage their expertise and sustainability themes. M&G monitor the success of engagement by assessing whether they have met their objective and log this in a central system.</p> <p>Examples of significant engagements include:</p> <p>EDF - M&G liaised with EDF to request further information on the Brazilian Hydro Generation related issues, which had been raised within their 2019 Annual Report. M&G subsequently received the level of detail they were looking for and were able to use this to better analyse the potential risks. They have become comfortable that EDF are dealing with the issue</p>

		<p>better than what was initially suggested and have requested updates on these issues going forward, so that they can continue to monitor the situation.</p> <p>Heathrow Airport– M&G engaged with management as insiders through several meetings on proposed covenant waivers and amendments related to COVID-19 impact. M&G asked shareholders to inject further equity to support the business' liquidity throughout the period, but were unsuccessful. M&G did, however, ensure that bondholders were treated as fairly as possible following various engagements with management, and that consent fees were not coercive in nature.</p>
M&G Secured Property Income Fund	<p>M&G do not currently provide details of their engagement activities at Fund level. However, they do actively engage with tenants of their properties to promote an ESG agenda. Isio remains in contact with M&G surrounding the firm's engagement reporting.</p>	<p>Due to the nature of most of the leases within the Secured Property Income Fund, M&G state that their overall influence as a landlord is limited. They maintain dialogue with all occupiers, and as part of this ESG- related behaviours are encouraged. The fund is committed to becoming net-zero on carbon emissions by 2050 and are currently developing initiatives to help meet this goal.</p>
L&G Liability Driven Investment	<p>LGIM have engaged with a number of industry participants on long-term strategic issues in relation to LDI, including:</p> <ul style="list-style-type: none"> - The introduction of central clearing; - The LIBOR transition; <p>Recognising the pricing issues with bilateral RPI swaps.</p>	<p>LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engage with regulators, governments, and other industry participants to address long-term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.</p>
Permira Private Market Credit Solutions III Fund	<p>Total Engagements: 2</p>	<p>Permira maintain ongoing contact with the management teams of their portfolio companies, however, given their position as lenders they will typically rely on the equity</p>



sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks.

Examples of significant engagements include:

SoHo House - Permira engaged with the management team at SoHo House as well as external advisers on their strategy development and identification of ESG key performance indicators for a pilot sustainability linked loan developed in 2020. The sustainability strategy was subsequently developed by the SoHo management team.

Kinaxia - Permira's Head of ESG and deal team have visited Kinaxia on multiple occasions, highlighting areas for consideration in respect to improving ESG factors in the company. Kinaxia have since appointed a Head of ESG, developed KPIs to track health and safety statistics and continue to develop the company's sustainability strategy.

Voting (for equity funds only)

As the Plan invests via fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2020. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Baillie Gifford Global Alpha Growth Fund	<p><i>Meetings eligible to vote: 111</i></p> <p><i>Resolutions eligible to vote: 1240</i></p> <p><i>Resolutions voted for: 94.8%</i></p> <p><i>Resolutions voted with management: 96.9%</i></p> <p><i>Resolutions voted against management: 2.4%</i></p> <p><i>Resolutions abstained from: 0.7%</i></p>	<p>Amazon.com – BG supported a shareholder proposal to improve the transparency of Amazon’s corporate lobbying practices. The proposal failed but received greater than 20% of support which serves as a signal to the company to change its practices.</p> <p>Tesla Inc - BG supported a shareholder proposal to request a report on the company’s use of arbitration to resolve employee disputes. The proposal failed but received greater than 20% of support which serves as a signal to the company to change its practices.</p>	Baillie Gifford utilise analysis from third party providers to assist with their voting decisions. The final voting decisions are made in line with the in-house proxy voting policy which has been developed by their Governance and Sustainability team
Veritas Global Focus Common Contractual Fund	<p><i>Meetings eligible to vote: 30</i></p> <p><i>Resolutions eligible to vote: 486</i></p> <p><i>Resolutions voted for: 1</i></p> <p><i>Resolutions voted with management: 91.2%</i></p> <p><i>Resolutions voted against management: 7.8%</i></p> <p><i>Resolutions abstained from: 1.0%</i></p>	<p>The Cooper Companies, Inc. - Veritas voted against a proposal to elect Thomas Bender as a Director. This was due to the company’s lack of disclosure relating to climate metrics, and Veritas intend to follow up directly with company management in relation to this issue.</p> <p>Intercontinental Exchange, Inc. - Veritas voted against a proposal to elect Frederic V. Salerno as the company failed to disclose data to the CDP and to disclose emissions reduction targets. The proposal failed however was significant for Veritas to vote against to maintain their ESG policy.</p>	As equity investors Veritas have relatively strong voting rights, employing a customised policy which is applied by Institutional Shareholder Services ('ISS'). This policy incorporates the ESG Red Lines, developed by the Association of Member Nominated Trustees ('AMNT'). ISS provide company research and vote recommendations based on Veritas’ policy, and provide the vote execution service. The investment team may have a view which differs to that of the policy vote recommendation, and in this scenario the team provide rationale to justify their voting decision.

		<p>Canadian Pacific Railway Limited - Veritas voted to withhold a proposal to elect Gordon Trafton as a Director. This was due to the company not adequately showing they had put plans in place to tackle carbon emissions. The proposal was subsequently approved and Veritas advised they will continue to encourage further disclosure on carbon emissions.</p>	
L&G World Equity Fund	<p><i>Meetings eligible to vote: 3310</i></p> <p><i>Resolutions eligible to vote: 39613</i></p> <p><i>Resolutions voted for: 99.5%</i></p> <p><i>Resolutions voted with management: 81.6%</i></p> <p><i>Resolutions voted against management: 17.9%</i></p> <p><i>Resolutions abstained from: 0.5%</i></p>	<p>The Procter & Gamble Company (P&G) - LGIM voted in favour of a proposal for P&G to report on their effort to eliminate deforestation in response to P&G's goal for 100% certification from the Roundtable on Sustainable Palm Oil by 2020. The proposal was accepted and L&G will continue to engage with P&G on the issue.</p> <p>Cardinal Health – L&G voted against a proposal to ratify a named executive officer's compensation. This was due to a target bonus paid out to the CEO in the same year the company received a total pre-tax charge of \$5.6 billion for expected opioid settlement costs which were excluded from the earnings calculations which resulted in executive pay being boosted. The current CEO was head of pharma during the opioid crisis. The proposal failed however received a significant amount of oppose views from shareholders.</p> <p>Fast Retailing Co. Limited - L&G voted against the proposal to elect Yanai Tadashi as a Director. This was due to Japanese companies trailing behind European and US companies in ensuring more women are appointed to their boards.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>

Some of the information provided in this report is provided by the Plan's investment managers, and so we are reliant on these third parties for the accuracy of these data sets. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.