

# IPPF Central Office Pension Fund (the “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 Trustee’s Statement of Investment Principles (SIP) dated 25 September 2019 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 July 2019 to 30 June 2020.

### Investment managers and funds in use

Asset Class	Fund	Target Asset Allocation
<b>Multi-asset</b>	Insight Broad Opportunities Fund	21.25%
	Invesco Global Targeted Returns Fund	21.25%
<b>Corporate bonds</b>	LGIM Active Corporate Bond – Over 10 Year Fund	20.5%
<b>Liability driven investment</b>	BMO Real Dynamic LDI	11.0%
<b>Equity-linked liability driven investment</b>	BMO Equity-Linked Nominal Dynamic LDI	26.0%
<b>Total</b>		<b>100.0%</b>

### Strategy Review

A strategy review was conducted in April 2019, with the proposed allocation detailed in the table above being agreed in April 2019. The strategy involved reducing the allocation to diversified growth funds in favour of a higher allocation to liability driven investments (LDI). In addition to increasing the overall LDI allocation, the allocation was rebalanced and equity-linked LDI was introduced in order to provide additional growth exposure. The implementation of the strategy was completed in January 2020.

### Scheme Governance

The Trustee is responsible for making investment decisions, and seeks advice from Broadstone Corporate Benefits Limited, as the Trustee’s investment consultant.

The Trustee does not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

There were no changes to the objectives put in place for Broadstone Corporate Benefits Limited which were put in place in December 2019. The Trustee is due to formally review these objectives by December 2022, or earlier.

## Statement of Investment Principles

The Trustee last reviewed the Statement of Investment Principles (SIP) in September 2020. The Statement of Investment Principles was also updated in September 2019, which was updated for new investment regulations in relation to Environmental, Social & Governance (ESG) considerations.

The Trustee has 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 Trustee has 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 SIP.

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

### Policy on financially material considerations

***Trustee's Policy: The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the ESG integration capability of its Investment Managers.***

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

The Trustee notes that the manner by which 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 Trustee is satisfied that the funds currently invested in by the Scheme are managed in accordance with its views on 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 Trustee has access to updates on governance and engagement activities by the investment managers and input from its investment advisers on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustee acknowledges that it is delegating the consideration of financially material factors in relation to determining the underlying holdings to the investment managers given it is investing in pooled funds.

A summary of the Trustee's views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Multi asset	Active	The Trustee expects the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its investment manager, to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
Corporate bonds	Active	The Trustee expects the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustee also expects its investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
Liability driven investment	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies. 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 for taking into account non-financially material considerations

**Trustee's Policy:** *Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects its Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.*

There have been no changes to the Trustee's policy, nor any departures from its policy, during the year.

### Policy on the exercise of voting rights and engagement activities

**Trustee's Policy:** *The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects its Investment Managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee (delegating to the Investment Consultant where appropriate) assesses the stewardship and engagement activity of its Investment Managers.*

There have been no changes to the Trustee's policy, nor any departures from its policy, during the year. In particular, all voting activities have been delegated to the investment managers, as the

Trustee does not have any mechanism to vote on the underlying holdings, given the pooled nature of the Scheme’s investments.

The Trustee currently invests in pooled investment funds with the investment managers, and it acknowledges that this limits its ability to directly influence each investment manager.

The Trustee has employed Broadstone to assist in monitoring the voting and engagement activity of the investment managers. A high level review of the approaches to ESG adopted by each of the Scheme’s managers was carried out in September 2020. The Trustee, with the assistance of Broadstone, concluded that the voting and engagement activity of the investment managers is in line with its policy on voting and engagement.

Within the current investment arrangements, the Insight and Invesco funds contain equity holdings, and therefore have voting rights attached to these underlying equities.

All of the investment 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 Trustee has delegated engagement activities to its investment managers, and each investment manager reports to the Trustee on how they have voted on behalf of the Trustee for the underlying holdings.

A summary of the votes made by the investment managers on behalf of the Trustee (where the investment owns equities) is provided in the table below, based on the latest information available from each investment manager.

Manager	Pooled or Segregated?	Third Party Proxy Voter	Manager uses own Voting Policy	Resolutions Voted On	Resolutions Voted:		
					For	Against	Abstained
Insight	Pooled	Minerva Analytics	Yes	1,503	94%	0%	6%
Invesco	Pooled	ISS / Glass Lewis	Yes	44,184	89%	10%	1%
LGIM	Pooled	ISS	Yes	59,858	82%	18%	0%
BMO	Pooled	ISS	Yes	None			

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

The notable engagement activities of the investment managers are provided below:

- **Insight** is engaging Enel to monitor their climate-reduction strategies. Insight believes there has been a noticeable improvement in their communication and leadership, particularly with the company issuing the market’s first sustainability-linked bond.
- **Invesco** engaged with the board of Royal Dutch Shell over the period requesting more details on how the company could meet their decarbonisation plans without excessive reliance on offsetting. Invesco also raised concerns about Shell’s lack of transparency around human capital management. Invesco believe Shell is making a concerted effort to produce a detailed strategy for their decarbonisation plans and have agreed in principle to improve

disclosure on human capital management metrics in their 2020 reports. Invesco subsequently supported the management at the 2020 AGM, but continue to closely monitor the company to ensure its climate and disclosure promises are being fulfilled.

- **LGIM** put 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.
- **BMO** record specific outcomes for their engagement with counterparties for LDI funds. BMO engaged with Barclays Plc on their environmental and climate risk management practices for their lending portfolio, and the bank have since committed to aligning their entire financing portfolio to the goals set out in the Paris Agreement. In the equity-linked LDI fund equity exposure is obtained by using derivative contracts with no direct link to underlying investee companies and voting rights.

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

The Trustee also considers the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

### **Monitoring of Investment Arrangements**

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustee receives performance reports from Mobius Life on a quarterly basis together with quarterly performance reports from Broadstone.

**Signed: Rosemary Kennell**

**Date: 5 January 2021**

**On behalf of Apex Pension Trustees Limited**