



Innospec Limited Pension Plan

31 December 2022

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that Innospec Limited Pension Plan continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address https://innospec.com/wp-content/uploads/2021/08/SIP_uk.pdf Changes to the SIP are detailed on the following pages.

The Implementation Report details:

- Actions the Plan 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 Plan has followed policies on engagement covering engagement actions with its 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 2022 for and on behalf of the Plan including the most significant votes cast by the Plan or on its behalf

Summary of key actions undertaken over the Innospec Limited Pension Plan's reporting year

The Plan implemented an insurance policy buy-in in May 2022 which insured the Plan's remaining liabilities. As a result, the Plan sold the majority of its other assets in order to fund the buy in. There is a residual outstanding liability which will be paid across to the Insurer in 2024 as part of the final true-up premium at the end of the data cleanse. As at the year end, the Plan had some residual assets invested with an incumbent manager to track the residual liability.

Implementation Statement

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

Signed STEPHEN COOK

Position TRUSTEE

Date 31 MAY 2023

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's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.100% of these risks.	The Plan has implemented an insurance policy buy-in which covers the Plan's remaining liabilities. The outstanding residual amount will be paid across to the Insurer in 2024 and is being hedged by investing in single stock gilts.
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.	The Plan's residual assets hold a sufficient allocation to liquid assets.
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's remaining assets being held alongside the insurance policies are invested in low-risk assets to track the remaining liability.
Credit	Default on payments due as part of a financial security contract.	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's remaining assets are invested in government bonds and cash which have low credit risk.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<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 	No actions to report – given the proximity of Plan's journey plan to buy-out, the Trustees have maintained their current approach to ESG factors.

	The Trustees monitor the managers in this regard on an ongoing basis.		
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	The Trustees sold the Plan's non-GBP assets over the year.
Longevity	Members of the Plan living longer than expected, leading to a larger than expected liability.	To hedge this risk through the purchase of buy-in policies.	The Plan implemented an insurance buy-in over the year.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No actions to report.

Changes to the SIP

The Trustees made changes to the SIP to reflect the insurance policy buy-in as well as recent regulatory requirements.

Policies added to the SIP

Dates updated:
September 2022 and March 2023

Voting Policy - How the Trustees expect investment managers to vote on their behalf

- The Trustees have acknowledged responsibility for the voting policies that are implemented by the Plan's investment managers on their behalf.

Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'

- The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Plan's investment managers on their behalf.
- The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.
- Example stewardship activities that the Trustees have considered are listed below.
 - Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities.
 - Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers as part of the implementation statement.
 - Collaborative investor initiatives – the Trustee will consider joining/supporting collaborative investor initiatives.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regards to ESG as a financially material risk.

The Trustees acknowledge the importance of Environmental, Social and Governance (ESG) factors. As the majority of the assets are invested in the buy-in policies, there is limited scope for the Trustees to incorporate ESG into the Plan's investment strategy.

The next page provides an evaluation of the investment manager's engagement activity.

Engagement

As the Plan invests via an investment manager, it provided details on its engagement actions including a summary of the engagements by category for the 12-month period to 31 December 2022.

Fund name	Engagement summary	Commentary
Insight Liquidity Fund	<p>Total engagements: 30</p> <p>Number of entities engaged: 11</p>	<p>Insight Investment Management have a Counterparty engagement programme, where their core trading counterparties are benchmarked on their performance against environment, diversity, remuneration and cyber factors. Poor performers will be targeted for engagement and their progress will be tracked.</p> <p>Examples of significant engagements include:</p> <p>UBS -Insight actively engaged with UBS to address the weak governance scores against the benchmark. Insight questioned UBS on the controls in place to minimise governance-related controversies and they continue to engage regularly to keep up with any progress or areas for concern.</p> <p>Rabobank – Insight engaged with Rabobank to understand its progress on MIFID and mis-selling, their net zero approach, and cyber security. Insight will continue to engage with Rabobank and will review the net zero targets once they have been released.</p> <p>The manager also notes climate as an engagement priority and are actively</p>

		involved in several Climate Action 100+ investor groups.
Insight physical Gilt holdings	<p>Insight have provided the following engagement data in terms of policy level lobbying:</p> <p>Number of engagements: 24</p> <p>Environmental: 11</p> <p>Governance: 24</p>	<p>Given the synthetic nature of the Scheme's exposure to equity, ESG integration is limited to Insight's engagement with underlying counterparty banks. Therefore, the engagements provided by Insight cover their general approach to engagement with counterparty banks and some specific examples of engagements with wider market stakeholders.</p> <p>Examples of significant engagements include:</p> <p>Derivative counterparty banks: Insight continue to engage with all counterparties on ESG integration and the integration of ESG factors into assessment of credit risk, noting that if they become uncomfortable with the level of ESG risk present this could lead to a pause in trading with that bank or decreasing their exposure.</p> <p>Debt Management Office (DMO): Insight engaged with the DMO to encourage them to increase impact reporting of green gilts from every two years to once a year, however the DMO's response suggests this will be unlikely in the short-term. Insight also pointed out to the DMO that an increase in relevant emissions data from the government would help investors decision-making.</p>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. 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.