INEOS Chemicals Pension Plan Implementation Report

June 2023

isio.

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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 schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes 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 Statement of Investment Principles (ineos.com). Changes to the SIP are detailed on the following pages.

Implementation Report

This Implementation Report is to provide evidence that the Plan 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 its fund managers and in turn the engagement activity of the fund managers with the companies they invest; and
- 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 Scheme reporting year

The Trustee of the Plan has agreed to rebalance the portfolio and update the strategy to improve liquidity and better align with the Plan's long-term investment strategy. The Plan has not invested into any new mandates and has not fully disinvested from any mandates over the reporting period. The changes to the Plan's investment strategy are reflected in the latest SIP.

Implementation Statement

This report demonstrates that the INEOS Chemicals 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 Trustees of the INEOS Chemicals Pension Plan

June 2023

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions taken in the year ending December 2022
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.	The Plan invests within a Liability Driven Investment mandate, this mandate aims to hedge these risks.	The Trustee has reviewed the Plan's investment strategy following the 'gilt crisis' in Q3 & Q4 2022 which to ensure it remains appropriate. Post year-end, the Trustee received updated liability cashflow data following the results of the 31 December 2020 Actuarial Valuation. The Plan's level of hedging was subsequently updated to be based on the new liability cashflow data.
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. Following the events of the 'mini-budget' in September 2022 and the increased strain placed on liquidity due to capital calls from the LDI mandate, the Trustee reviewed the Plan's investment strategy in Q1 2023 in order to improve liquidity.
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.	The Plan reduces credit risk by diversifying its assets across a range of different credit issuers which provide

		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.	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	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To acknowledge Environmental, Social and Governance factors when appointing new mandates and when monitoring existing mandates. The Trustee monitors the managers on an ongoing basis.	The ESG policy was reviewed by the Trustee as part of the SIP update in September 2019. The Trustee undertook an impact assessment exercise in July 2022 of each of the underlying investment managers as part of their ESG policy. The Trustee is scheduled to review the ESG policies of their underlying investment managers, and the actions taken, over the next 12 months. The impact assessment for the Plan is expected to be completed in H2 2023. 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.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	To invest in GBP share classes where it is deemed appropriate to eliminate unwanted direct currency risk. To largely invest with managers that hedge exposure to foreign currency risk in underlying holdings, except where active currency positions are held.	No Trustee actions or amendments were implemented over the reporting period in respect of currency risk.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No Trustee actions or amendments were implemented over the reporting period in respect of non-financial risks.

Changes to the SIP

Over the accounting year, the Trustee updated the Plan's SIP.

Policies added to the SIP	
Date updated: May 2023	
Voting Policy - How the Trustees expect investment managers to vote on their behalf	The Trustee has 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 Trustee has acknowledged responsibility for the engagement policies that are implemented by the Plan's investment managers on their behalf. The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.

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.

Implementing the Current ESG Policy

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	• 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 account 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.	• 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 actions with the investment managers

The Plan has not yet completed an Impact Assessment for the year ending 31 December 2022 and so we cannot provide a summary of the underlying manager's ESG policies related to that period. The Trustee has commissioned the Impact Assessment work and it is expected to be completed in H2 2023.

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 2022.

Fund name	Engagement summary	Commentary
Baillie Gifford Global Alpha Growth Fund	Total Engagements: 98 Environmental/Social: 45 Governance: 26 Other: 27	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. Examples of significant engagements include: **Tesla, Inc.** – During a call between BG and Tesla's Chairwoman Denholm, concerns were raised about Elon Musk's recent purchase of Twitter. BG has questioned whether the new acquisition is affecting shareholder's work at the Company or any of Tesla's operations. Denholm stated that there had been no change in Musk's focus or intensity regarding his interactions with Tesla, despite basing himself at Twitter HQ, as the meeting attendance and fulfilment of CEO responsibilities at Tesla are continued as normal. The board at Tesla informed BG that Musk remains critical to Tesla, and operational execution has never been better, with effective management across all facilities. Despite the reassurance provided by the board, BG recommended that the Tesla board encourage Musk to outline a timeline for appointing a new CEO at Twitter as Musk's ownership of the new company remains an unwelcome distraction. **Alibaba** – BG engaged with Alibaba's director of ESG engagement and Investor Relations to encourage improved ESG reporting and discuss sustainability management across the Group. Alibaba has recognised that its ESG reporting needs to be more comprehensive and has previously committed to significant improvements over 2022. The Group has recently published a carbon neutrality action plan seeking Scope 1 and 2 emissions neutrality by 2030. BG also discussed Alibaba's new Common Prosperity committee which, chaired by the CEO, aims to establish accountability for delivering social initiatives, such as improving job quality. BG has shared further examples on sustainable practice and reporting with Alibaba and continues to encourage positive social and environmental developments at the Company.

Veritas Global Focus Common Contractual Fund	Total Engagements: 19 Environmental: 15 Social: 1 Governance: 1 Strategy: 2	Veritas stewardship approach focuses on materiality and encouraging of constructive behaviour. The manager looks to engage on material sustainability issues with most potential to negatively affect value for shareholders. Veritas have two tiers of engagement in place – initial engagement and specific attempt to influence governance/business practices that have material impact on long-term sustainable value creation. Examples of significant engagements include: **Canadian Pacific Railway (CPR) –** Veritas engaged with the CEO of CPR regarding the need for independent verification of the Company's adopted science-based targets. Veritas believe that emission reduction targets that are not Science-Based are not meaningful and as such they encourage companies to adopt such metrics, followed by independent body verification. The Company acknowledged that their first climate strategy released in July 2021 is aligned with a well below 2°C pathway rather than a 1.5°C pathway. Work is currently underway to determine how the framework can be applied in order to align their targets with a 1.5°C pathway. Veritas will continue to engage and monitor the Company to ensure independent verification of its new alignment metrics is achieved. **Safran –** In Q2 2022, Veritas commenced a Science-Based Target (SBT) thematic engagement initiative and identified Safran's climate strategy to have shortfalls in alignment with science-based targets. Veritas met with management and stressed the importance of all carbon reduction targets being science-based in order to be meaningful, and that they receive an independent verification. Safran confirmed to have objectives based on SBTi methodology that is aligned with the Paris agreement of limiting warming to 1.5°C, with targets likely to be independently verified in the next few months.
L&G World Equity Fund L&G Cash Fund	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.	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.
M&G Alpha Opportunities Fund	Total Engagements: 10 Environmental: 6 Social: 3 Governance: 1	M&G's engagement activities remain consistent with firm wide ESG policies, utilising a systematic approach to engagement, whereby specific objectives are outlined in advance and measured based on the outcomes from the engagements. M&G monitor the success of engagements by assessing whether they have met their objective and log this on a central system. Examples of significant engagements include:

		Marks and Spencer – M&G have engaged with the Company via letter that outlined expectations for maintaining competitive and market-relevant pay levels for all M&S colleagues. The company pays above the Real Living Wage to their employees but is not seeking accreditation as a Living Wage Employer as they prefer to set rates independently and not impose pay arrangements on third-party contractors. M&G noted their concerns but were satisfied with the company's overall efforts to ensure fair pay, including considering external factors such as the real Living Wage rates and conducting a Reward and Wellbeing Survey. M&S has a low staff turnover rate and works to stay engaged with all employees. **Thermo Fisher** - M&G met with the Company's investor relations and the senior director of corporate social responsibility to discuss the company's policies on preventing the sale of DNA identification products that were reported to have potential threat to violation of human rights. Thermo Fisher has improved its policies and implemented a Code of Business Conduct and Ethics, followed by annual training to directors, officers, and employees on the code. To prevent the ordering and resale of products to public security bureaus in certain regions, the Company has a multi-level purchasing process in place and has created a list of countries where sales will be forbidden based on country risk assessment. The Company has also established an authorised network of distributors that agree to comply with the purchasing process under the terms of their contract. M&G were satisfied that Thermo Fisher had taken the issue seriously, and responded by improving its policies and procedures.
M&G Secured Property Income Fund	Total Engagements: 22	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. Examples of significant engagements include: **Natwest** – M&G engage with the Company on a quarterly basis and share mutual ESG aspirations as well as continuously collate and share data that could help to establish new initiatives and opportunities. M&G are currently undertaking a BiU assessment for one of their properties and the output will contain an optimisation report confirming work implemented in the building to move towards Net Zero by 2050, halving climate impact by 2030, reducing direct own operations carbon emission by 50% by 2025 and other ESG objectives of the Company. **Unite** – M&G has engaged with the company to see what support the Manager can provide towards wider social initiatives. Unite are also keen to explore opportunities for new initiatives on its Bristol student accommodation asset, that are aligned with their long-term ESG objectives (such as Net Zero Carbon by 2030 across its own operations and developments). The engagement mainly involved discussions around options for a renewable

		energy source. The Manager is due to engage in further discussions after reviewing shared energy data for 2020 and 2021.
L&G Liability Driven Investment	LGIM have engaged with a number of industry participants on long-term strategic issues in relation to LDI, including: - The introduction of central clearing; - The LIBOR transition; - Recognising the pricing issues with bilateral RPI swaps.	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.
Permira Private Market Credit Solutions III Fund	Total Engagements: 14	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 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: **Cruise.co –** Permira has engaged with the Company over the period to improve their sustainability strategy by providing feedback and examples that support KPI reporting and strengthen company level approach. The manager is currently involved in an ongoing engagement with the Company on carbon footprinting their cruise holidays. **Autovista** – Permira engaged with the Company to discuss their ESG approach and strategy and how Permira could support them to improve. Permira's Head of ESG presented to an internal conference at Autovista, helping the Company's management understand the importance of ESG and its effect on performance. Over the period, the Manager has obtained a commitment from the Company to engage a reputable ESG-rating agency in order to benchmark performance across all ESG categories. Autovista has since sourced a provider for measuring baseline ESG performance and driving improvements and impact.
J.P. Morgan Asset Management Infrastructure Investments Fund	JP Morgan do not currently provide strategy level numbers for annual engagement.	J.P. Morgan Asset Management maintain ongoing contact with the management teams of their portfolio companies. Examples of significant engagements include: **Onward –** In January 2023, through 100% ownership, IIF engaged with the Company to complete the acquisition of a 1.2 GW solar portfolio, which doubled the size of Onward's solar portfolio in a single transaction. The solar space had historically been a challenging market for Onward to penetrate given the highly competitive and fragmented market dynamics so this was an opportunity

		to increase its solar footprint and allow for additional opportunities for growth, optimisation and the ability to leverage the Company's diversification. The team conducted diligence and worked together to close the acquisition, which was introduced in April 2022. Post-acquisition, IIF will continue to engage with the Company to support integration of new assets, implementation of arising policies, engagement with customers from the transaction and updating the reporting/metrics to include the new solar portfolio. **Sonnedix –** JPM have a board seat at the Company and actively participate in board meeting discussions regarding the importance of monitoring human rights in business, supply chain, and locations outside of Europe. Sonnedix implements a Modern Slavery policy to prevent and eradicate forced labour, including a zero-tolerance approach towards the use of child or forced labour on its projects or plants. The Company expects its contractors, subcontractors, business partners, and vendors to follow the same standard. As JPM IIF has 100% ownership of the Company, it continuously engages with the board to ensure the correct governance of human right policies.

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 2022. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Baillie Gifford Global Alpha Growth Fund	*Meetings eligible to vote: 95* *Resolutions eligible to vote: 1137* *Resolutions voted for: 98.2%* *Resolutions voted with management: 97.3%* *Resolutions voted against management: 2.4%* *Resolutions abstained from: 0.3%*	**Booking Holdings Inc. –** BG voted against the executive compensation within the Company, due to concerns raised during the latest engagement. The Manager believes that adjustments to executive pay and special payments do not align with shareholder's experience or provide appropriate initiatives for management. BG opposed the vote and informed the Company of their decision, with intent to engage again to find out how it plans to address the vote outcome and shareholders' concerns. **BHP Group** – BG supported a resolution to improve the Company's review of industry associations to ensure it identifies areas of inconsistency with the Paris Agreement. The vote received over 98% support having failed to receive sufficient votes in favour of the resolution in 2019 and 2020.	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	*Meetings eligible to vote: 25* *Resolutions eligible to vote: 423* *Resolutions voted for: 423*	**Amazon.com, Inc.** – Veritas voted against ratifying named Executive Officers' Compensation as the performance-based awards account for less than 50% of the total Long-Term	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

	Resolutions voted with management: 375 *Resolutions voted against management: 48* *Resolutions abstained from: 0*	Incentive awards. Veritas believe that the CEO's pay is misaligned with the company's performance, primarily due to an excessive equity grant lacking performance conditions. Additionally, Veritas also took the view that large time-vested awards were granted to other NEOs, and the compensation program lacked a connection to pre-set performance criteria. **UnitedHealth** – Veritas voted against the election of Director Stephen J. Hemsley (i.e. against management), due to gender diversity concerns. The Manager has identified board gender diversity being below 40% and a lack of improvement compared to the previous year as a main reason to oppose the election.	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.
L&G World Equity Fund	*Meetings eligible to vote: 3,113* *Resolutions eligible to vote: 38,295* *Resolutions voted for: 99.8%* *Resolutions voted with management: 78.9%* *Resolutions voted against management: 20.4%* *Resolutions abstained from: 0.7%*	**PepsiCo, Inc. –** LGIM voted against management, in favour of a shareholder resolution, to appoint a joint Chair/CEO. The Manager's reason for the vote was due to their expectation for the Company to establish the role of an independent Board Chair, which LGIM believe such significant vote will escalate. LGIM will continue to engage with the company and monitor the market-level progress. **NextEra Energy, Inc.** – LGIM voted against the election of Director Rudy E. Schupp (with management) due to diversity concerns. LGIM expects the Company to have at least 25% women on the board (aiming to increase to 30% by 2023), The Manager believes that this is also a crucial part of ensuring an appropriate level of independence, relevant skills, experience, tenure, and background	LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.

		across the board. LGIM will continue to engage with the Company regarding their diversity views as the Manager believes that to be a financially material issue, with implications for the managed assets.	

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