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THE PANAVISION EUROPE PENSION AND LIFE ASSURANCE SCHEME – ANNUAL IMPLEMENTATION STATEMENT

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 30 June 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator. The table later in the document sets out how, and the extent to which, the policies in the SIP have been followed.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their individual circumstances.

The following encapsulates the Trustees' objectives:

- *Make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own personal and financial circumstances.*
- *Offer funds which facilitate diversification and long term capital growth (i.e. in excess of price and wage inflation) so that the value of members' assets at retirement can be maximised.*
- *Offer funds that enable members to reduce risk in their investments as they approach retirement. Specifically, make available investments that provide protection for members' accumulated assets against sudden (and sustained) reductions in capital values or in the amount of pension that can be purchased.*
- *Restrict the number of funds to avoid unnecessarily complicating members' investment decisions.*
- *Provide a default investment option for members who do not make their own investment decisions, that is broadly suitable having regards to the likely needs of the membership.*

The aims of the default option, and the ways in which the Trustees seek to achieve these aims, are detailed below:

- *To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.*

  The default option's growth phase invests in equities and other growth-seeking assets (through a diversified growth fund). These investments are expected to provide equity-like growth over the long term with some downside protection and some protection against inflation erosion.

- *To provide a strategy that reduces investment risk for members as they approach retirement.*

  As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. Moreover, as members approach retirement, the Trustees believe the primary aim should be to provide protection against a mismatch between asset values and the expected costs of retirement benefits.

- *To offer to members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as a mix of cash and long-term variable income / drawdown post-retirement.*

  At the member's selected retirement date, 75% of the member's assets will be invested in a fund that aims to provide a close match to variable income/drawdown requirements and 25% in a money market fund.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Scheme. Detail on the Trustees' objectives with respect to the Scheme's investment options are outlined in the SIP.

Explanation of changes made to the SIP in the year to 30 June 2020

During the year the Trustees reviewed the Scheme's SIP. A revised SIP was agreed in September 2019 in order reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations relating to the following:

- Financially material considerations of the investments, including Environmental, Social and Governance ("ESG") considerations, and how these are taken into account in the selection, retention and realisation of investments.
- The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments.
- The exercise of the rights (including voting rights) attached to the investments.
- Undertaking engagement activities in respect of the investments (including methods by which, and the circumstances under which, Trustee would monitor and engage with relevant persons about relevant matters).

Further revisions were made to the SIP in December 2019 to reflect changes to the investment strategy detailed below:

Investment Strategy Review

The default investment option is reviewed at least triennially as part of the Trustees' overall investment strategy review. The last review of the default investment option was carried out in December 2018.

The review of the default investment option took into consideration:

- The trends seen in the overall market, and specifically within the Scheme, on how members are accessing their pensions at retirement.
- Current and projected pot sizes of members, using market data to suggest how these members might be likely to access their pension pots in the future. The Scheme's GMP underpin was taken into consideration where applicable.
- Analysis of the current member demographics including both active and deferred members of the Scheme.
- The mismatch risk between the retirement destination targeted by an investment strategy and the how a member chooses to access their retirement savings.
- Performance of the investment funds and overall default against the aims and objectives, as covered in the quarterly investment report.

Following this review, the Trustees decided to change the Scheme's default investment option from the Target Annuity Retirement Path to the Target Drawdown Retirement Path. This was thought to minimise the risk that assets held at retirement are inappropriate for members accessing their savings in an alternative way but also likely to be the way that most members will access their defined contribution savings given the projected pot sizes at retirement.

The Trustees also decided it would be appropriate to change the objective of the default investment option, specifically regarding the target exposure at retirement. This was changed from “assets that are broadly appropriate for an individual planning to use their savings in the Scheme to buy a fixed annuity and take a 25% tax-free cash lump sum at retirement” to “assets broadly appropriate for an individual planning to take a 25% tax-free cash lump sum at retirement and leave the remainder invested to make withdrawals as required”. These changes were implemented in December 2019.

In 2019, the MWS team also conducted its annual strategy review, with changes to the Scheme’s investments implemented in the Scheme year. This is summarised below:

- The structure of the Mercer Risk Profiled funds was reviewed with changes made to the underlying component funds. The benefits of the new structure are:
    - No changes to fund objectives.
    - Lower charges.
    - Implementation of Mercer’s best ideas, including access to new asset classes and revised asset and manager allocations.
    - Future proofing and enhanced efficiency in making asset allocation changes.
    - Enhanced risk and return characteristics, reflecting the wider range of underlying assets.
    - Simpler to communicate.
- Improvements were made to the underlying components of the Mercer Diversified Retirement Fund, with the addition of an allocation to Fundamental Indexation and changes to the underlying Listed Infrastructure and REITS funds.

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Assessment of how the policies in the SIP have been followed for the year to 30 June 2020

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the Scheme as a whole and the default investment arrangement. The SIP is attached as an Appendix and sets out the policies referenced below.

	Requirement	Policy	In the year to 30 June 2020
1	Securing compliance with the legal requirements about choosing investments	*The Trustees consult a suitably qualified person in obtaining written advice from Mercer Limited ('Mercer'). The Trustees also consult Panavision Europe Limited (the 'Company'), as Sponsor of the Scheme.* *In the Trustees' opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.*	The default investment option was subject to its formal triennial review in December 2018. Although this review was not undertaken during this year, implementation of the changes did take place within the year, with this being finalised in December 2019. The Trustees obtained advice from their FCA regulated investment adviser in relation to the suitability and implementation of the change to the Scheme's default investment option.
2	Kinds of investments to be held	*The Trustees make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own personal and financial circumstances.* *A range of asset classes are included within the default investment option (within the blended funds used), including: developed market equities, emerging market equities, money market investments, diversified growth funds and pre-retirement funds. It is the Trustees' policy to utilise both active and passive management within the default investment option, depending on the asset class.* *The Trustees also make available a range of additional lifestyle and individual fund options via the self-select fund range.*	The default investment option was subject to its formal triennial review in December 2018. Although this review was not undertaken during this year, it represents an important exercise for the Trustees that covers the majority of the investment policies the Trustees' have in place. The investments (fund type, management style and asset allocations) used in the default were reviewed as part of this exercise. The Trustees agreed to change to the Scheme's default investment option from the Target Annuity Retirement Path to the Target Drawdown Retirement Path. The implementation of this change was finalised in December 2019.

			The Target Drawdown Retirement Path was selected as the default as it was thought to minimise the risk that assets held at retirement are inappropriate for members accessing their savings in an alternative way but also likely to be the way that most members will access their defined contribution savings given the projected pot sizes at retirement. Members also have access to alternative target retirement funds, a range of Mercer risk profile funds and a money market fund. Over the year, Mercer implemented changes to the risk-profiled funds and Mercer Diversified Retirement Fund.
3	The balance between different kinds of investments	*The Trustees make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own personal and financial circumstances.* *Members can combine the investment funds in any proportion in order to achieve the desired level of return and risk in line with their own attitude towards, and tolerance of risk.* *Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option.*	The changes to the structure and underlying investments within the Mercer Growth fund (as part of the default investment strategy) and the other risk profiled funds available as part of the self-select fund range, were also made over the year. Mercer confirmed that all changes were made with the consideration of the risk-adjusted returns. The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis. The performance report also includes changes to the investment adviser's manager research rating and notes any other relevant developments at the underlying investment managers. Part of the rating process is to consider risk management.
4	Risks, including the ways in which risks are to be measured and managed	*The Trustees recognise risk (both investment and operational) from a number of perspectives.*	As detailed in the risk section in the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic

			asset allocation, the choice of fund managers / funds / asset classes. The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions. The Trustees also review the quarterly investment reports, which monitor the volatility of the SmathPath investment strategy.
5	Expected return on investments	*The funds available are expected to provide an investment return commensurate with the level of risk being taken.* *In designing the default investment option, the Trustees have explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.*	The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a quarterly basis. The performance report also includes changes to the investment adviser's manager research rating. The selection of the underlying investment managers is the responsibility of Mercer. The performance of the growth phase of the lifestyle strategies (including the main default investment strategies) is reviewed against inflation and also against equity volatility and the de-risking phase of the drawdown lifestyle is reviewed against inflation as a means of assessing the impact relative to member buying power. The Trustees also review the quarterly investment reports, which monitor the volatility of the SmathPath investment strategy.
6	Realisation of investments	*The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. To avoid this, the assets are invested in relatively liquid investments.*	The Trustees receive administration reports on a quarterly basis to ensure that core financial transactions are processed within service level agreements and regulatory timelines. As confirmed in the Chair's Statement, the

		The Trustees have considered the realisation of investments when formulating the default investment option. *As the delegated investment manager, Mercer have discretion in the timing of realisation of investments.*	Trustees are satisfied that all requirements were met throughout the year. All funds are daily dealt pooled investment vehicles, accessed through an insurance contract.
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*The Trustees believe that environmental, social, and corporate governance ("ESG") factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.* *The Trustees have delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.*	The investment performance report is reviewed by the Trustees on a quarterly basis – this includes ratings (both general and specific ESG) from the investment advisers. Most of the managers remained generally highly rated during the year. The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. The Trustees keep their policies under regular review with the SIP subject to review at least triennially. Where managers were not highly rated from an ESG perspective, Mercer will engage with those managers to improve ESG practices, or replace these managers with more highly rated managers. This is in line with their Sustainable Investment Policy. If ratings, either general or ESG are downgraded Mercer will look to find a suitable alternative. The Trustees' also review the Mercer

			investment reports which also include updates and developments of the ESG ratings.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	*Member views are not taken into account in the selection, retention and realisation of investments.*	Member views are not taken into account in the selection, retention and realisation of investments, however a member survey on sustainable equity funds was undertaken during the year.
9	The exercise of the rights (including voting rights) attaching to the investments	*The Trustees have delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.*	The exercising of voting rights is delegated to Mercer. The following funds contain an allocation to equities: Target Drawdown Retirement Funds Target Cash Retirement Funds Target Annuity Retirement Funds Mercer High Growth Fund Mercer Growth Fund Mercer Moderate Growth Fund Mercer Defensive Fund Mercer Active Money Market Fund The Trustees received a Stewardship Report in July 2020 produced by Mercer. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. The report covered the year to 30 June 2019. Where underlying investment managers are not meeting expectations, Mercer is expected to engage with these managers. Actions are again delegated to Mercer.

10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	*The Trustees have delegated day to day management of the assets to Mercer who in turn delegates responsibility for the investment of the assets to a range of underlying investment managers. These investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.* *Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.*	The Trustees received a Stewardship Report in July 2020 produced by Mercer. This report assesses each underlying equity manager's record of executing and disclosing voting activity, and the extent to which they are engaging with the underlying companies in which they invest. The report covered the year to 30 June 2019. Where underlying investment managers are not meeting expectations, Mercer is expected to engage with these managers. No additional engagement activity occurs outside of this relationship.

Voting Activity

The Trustees have delegated their voting rights to Mercer who in turn delegates this to external investment managers. The Trustees do not use the direct services of a proxy voter.

Mercer includes stewardship within their Sustainable Investment Policy. In particular, Mercer expects all shares to be voted on by external investment managers in a manner deemed most likely to protect and enhance long-term value for investors.

Voting and engagement activities of external investment managers are reviewed regularly, this includes: voting execution, voting rationale and engagement examples. A report is provided to the Trustees in the form of an annual Stewardship Monitoring Report. The Trustees received the Stewardship Monitoring Report in June 2020. The report summarises and comments on the stewardship activities and disclosure of the external investment managers appointed within the freestyle fund range and within the Mercer Growth fund, for the period 1 July 2018 to 30 June 2019.

The Stewardship Monitoring Report provides voting statistics, together with commentary, based on manager disclosed information. It covers votes cast in four parts: a) votes against management; b) votes against proxy adviser policy (where applicable); c) abstentions; and d) no votes. The report also provides summary reporting on engagement activities undertaken by managers to capture the level of disclosure and examples given by the managers for insights into where the manager has exchanged views with companies on a range of strategic and governance issues, together with environmental and social topics.

For the 2020 reporting cycle, vote reporting will include a general description of voting behaviour, an explanation of the most significant votes taken, information on the use, if any, of the services of proxy advisors, and information on how votes have been cast in the general meetings of companies in which the external investment managers hold shares across equity portfolios. Engagement reporting will include examples where investment managers have engaged with companies, relating to the number of companies engaged, engagement examples by topic, engagement examples that are collaborative and any voting activity / engagement activities impacting investment decisions, where available. These engagement reviews will extend across equities as well as other asset classes (e.g. fixed income and real estate) in light of the 2020 UK Stewardship Code which calls for engagement across additional asset classes as well as equities.

2019 Summary

The overall results for this reporting period are summarised below.

Vote execution:

- Vote execution continues to be good overall (i.e. >90% of available votes). Where votes have not been cast the vast majority of managers provide a rationale (typically this relates to market-specific barriers or restrictions).

Vote disclosure:

- The level of disclosure continues to vary considerably across managers. While in some cases managers have improved in not only disclosing voting rationale at a resolution level, but including summary reporting across categories (e.g. board-related, compensation-related, environmental etc.) there are managers who have not disclosed rationale across all resolutions. It is likely that managers do have this information but have not proactively disclosed it and we will follow-up with these managers to confirm.

Engagement:

- The results on engagement activities has been relatively consistent and Mercer noted an improvement in the quality of engagement disclosure from a number of managers.
- Some managers continue to provide market leading engagement reporting – typically those with an established approach to engagement and internal resources dedicated to stewardship.
- Mercer found that there is still room for improvement on engagement from quant managers who could focus on calling for greater disclosure of ESG metrics and this will again be communicated. Mercer also noted an improvement from a number of quant managers in this regard since the previous review.
- Mercer will follow up with all external investment managers where improvements are expected in future.