

# 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 2021 (the "Scheme Year"). 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 (as amended) 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. The Trustees can confirm that all policies in the SIP have been followed in the Scheme Year.

## 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 2021**

During the year the Trustees reviewed the Scheme's SIP. A revised SIP was agreed in September 2020 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019, relating to the following:

- How the arrangements with asset managers incentivise them to align their investment strategy and decisions with the Trustees' policies in the SIP.
- How the arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how those managers define and monitor this.
- The duration of the arrangement with the asset managers.

**Assessment of how the policies in the SIP have been followed for the year to 30 June 2021**

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. **In summary, the Trustees believe that the policies in the SIP have been followed during the Scheme Year.**

	<b>Requirement</b>	<b>Policy</b>	<b>In the year to 30 June 2021</b>
1	Securing compliance with the legal requirements about choosing investments	<p><i>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.</i></p> <p><i>In the Trustees' opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.</i></p>	<p>No changes were made to the range of funds made available to the members over the period covered by this statement. The selection of the existing range of funds was undertaken following advice received from Mercer in line with Section 36 of the Pensions Act 1995 (as amended).</p> <p>Elements of investment governance, including selection of underlying investment managers and asset allocations has been delegated to Mercer. There were changes to some of the underlying investments and asset allocations of the Mercer Funds over the year.</p> <p>Mercer carry out an annual review of the Funds used by the Scheme, to ensure their continued appropriateness. The Trustees received and noted the content of this review in April 2021.</p>
2	Kinds of investments to be held	<p><i>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.</i></p> <p><i>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</i></p>	<p>The default investment option was subject to its formal triennial review in December 2018. Although this review was not undertaken during the Scheme 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.</p>

		<p><i>utilise both active and passive management within the default investment option, depending on the asset class.</i></p> <p><i>The Trustees also make available a range of additional lifestyle and individual fund options via the self-select fund range.</i></p>	<p>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.</p> <p>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.</p> <p>Members also have access to alternative target retirement funds, a range of Mercer risk profile funds and a money market fund.</p> <p>Over the year, Mercer implemented changes to the underlying investments and asset allocations of a number of Mercer Funds.</p>
3	<p>The balance between different kinds of investments</p>	<p><i>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.</i></p> <p><i>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.</i></p>	<p>Maintaining an appropriate balance between different types of investments within the Mercer Funds has been delegated to Mercer.</p> <p>The Scheme's investment strategy, including the default investment option, is reviewed by the Trustees on a triennial basis. The next review of the default investment option is due to take place in the next Scheme Year.</p> <p>The Trustees monitor the performance of the funds against their stated objectives/benchmarks. This is done on a</p>

		<i>Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option.</i>	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	<i>The Trustees recognise risk (both investment and operational) from a number of perspectives.</i>	<p>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.</p> <p>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.</p> <p>The Trustees also review the quarterly investment reports, which monitor the volatility of the SmathPath investment strategy.</p>
5	Expected return on investments	<p><i>The funds available are expected to provide an investment return commensurate with the level of risk being taken.</i></p> <p><i>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.</i></p>	<p>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.</p> <p>The selection of the underlying investment managers is the responsibility of Mercer.</p> <p>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.</p>

			<p>The Trustees also review the quarterly investment reports, which monitor the volatility of the SmathPath investment strategy.</p>
6	<p>Realisation of investments</p>	<p><i>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.</i></p> <p><i>The Trustees have considered the realisation of investments when formulating the default investment option.</i></p> <p><i>As the delegated investment manager, Mercer have discretion in the timing of realisation of investments.</i></p>	<p>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 Trustees are satisfied that all requirements were met throughout the year.</p> <p>All funds are daily dealt pooled investment vehicles, accessed through an insurance contract.</p>
7	<p>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</p>	<p><i>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.</i></p> <p><i>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</i></p>	<p>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 and how each investment manager is delivering against their specific mandates. Most of the managers remained generally highly rated during the year.</p> <p>The Scheme’s SIP includes the Trustees’ policy on 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 have undertaken relevant investment training on ESG considerations.</p> <p>Where managers are not highly rated from an ESG perspective, Mercer will engage with those managers to</p>

		<i>practice, including the UK Corporate Governance Code and UK Stewardship Code.</i>	improve ESG practices, or may replace these managers with more highly rated managers.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<i>Member views are not taken into account in the selection, retention and realisation of investments.</i>	Member views are not taken into account in the selection, retention and realisation of investments, however a member survey on sustainable equity funds has been undertaken in a previous Scheme Year.
9	The exercise of the rights (including voting rights) attaching to the investments	<i>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.</i>	<p>The exercising of voting rights is delegated to Mercer, who in turn delegate to the underlying investment manager.</p> <p>Where underlying investment managers are not meeting expectations, Mercer is expected to engage with these managers. Actions are again delegated to Mercer.</p> <p>We have set out a summary of voting activity for the Scheme Year in the following section.</p> <p>The Trustees have not actively challenged managers on voting activity.</p>
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	<i>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.</i>	<p>The exercising of voting rights is delegated to Mercer, who in turn delegate to the underlying investment manager.</p> <p>Where underlying investment managers are not meeting expectations, Mercer is expected to engage with these managers. Actions are again delegated to Mercer.</p> <p>We have set out a summary of voting activity for the Scheme Year in the following section.</p> <p>No additional engagement activity occurs outside of this relationship.</p>

	about relevant matters)	<i>Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.</i>	
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees policies	<p><i>As the Trustees invest in pooled investment vehicles they accept that they have no ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.</i></p> <p><i>The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Delegated Investment Manager are dissatisfied, then they will look to replace the manager.</i></p>	<p>Mercer are responsible for appointing underlying investment managers and setting the asset allocation within the Mercer Funds.</p> <p>The Trustees are responsible for selecting the funds made available to members and their ongoing suitability.</p> <p>Over the Scheme Year, the Trustees have continued to monitor the performance of the investment managers against their stated objectives/benchmarks on a quarterly basis. The quarterly performance report also includes changes to the investment adviser's manager research rating and notes any other relevant developments at the underlying investment managers.</p> <p>Based on this ongoing monitoring, the Trustees are happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance.</p>
12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their	<p><i>The Trustees and the Delegated Investment Manager expect investment managers to incorporate the consideration of longer term factors, such as ESG factors, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments, undertaken by the Delegated Investment Manager. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. The Delegated Investment Manager engages with investment managers on this activity and if dissatisfied will look to replace the manager.</i></p>	<p>Over the Scheme Year, the Trustees have continued to monitor the performance of the investment managers against their stated objectives/benchmarks on a quarterly basis. The quarterly performance report also includes changes to the investment adviser's manager research rating and notes any other relevant developments at the underlying investment managers.</p> <p>Based on this ongoing monitoring, the Trustees are happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance.</p>



	performance in the medium to long-term		
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies	<i>The Trustees' focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustees review both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members.</i>	<p>During the year, the Trustees received performance reports from their investment adviser on a quarterly basis. The Trustees reviewed both the absolute performance and the relative performance against a suitable index used as the benchmark, on a net of fees basis, and remained satisfied with the performance of the investment funds.</p> <p>Over the year, there were no changes to the remuneration arrangements with any of the Scheme's investment managers.</p> <p>The charges that members pay are reviewed annually as part of the value for members assessment. The assessment covering the Scheme Year determined that members are receiving good value.</p>
14	How the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range	<i>Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.</i>	<p>Transaction costs for each of the funds are reviewed on an annual basis as part of the value for money assessment.</p> <p>During the Scheme Year, the Trustees determined that the transaction costs are reasonable when considering the assets in which members' monies are invested, however they acknowledge that there is not yet a universe of comparison for assessing these costs.</p> <p>The Trustees will continue to monitor industry developments in how to assess these costs and will incorporate this in future assessments.</p>
15	The duration of the arrangement with the asset managers	<i>The Delegated Investment Manager is responsible for the selection, appointment, monitoring and removal of the underlying investment managers. The Trustees are responsible for the selection, appointment and removal of the externally managed funds.</i>	<p>The Trustees are long-term investors and there are no set duration for manager appointments, however, investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage.</p>

	<p><i>The Trustees may also choose to remove a fund from the fund range, if no longer considered appropriate, and the fund range reviewed on at least a triennial basis. The funds in use are also looked at on an annual basis through the Mercer SmartPath review.</i></p>	<p>The Trustees or Mercer may terminate manager appointments if they are dissatisfied with the managers' ongoing ability to deliver specific targets.</p>
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**Investment Manager Voting Summary**

The Trustees have delegated their voting rights to Mercer who in turn delegates 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.

The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bonds, property, private equity and multi-asset funds.

Voting activity information from each of the underlying investment managers (where provided) over the prior 12 months to 30 June 2021, in which members were invested as at the Scheme Year end, is summarised in the table below:

<b>Fund</b>	<b>Mercer Growth</b>	<b>Mercer Moderate Growth</b>	<b>Mercer High Growth</b>	<b>Mercer Defensive</b>	<b>Mercer Drawdown Retirement</b>
Allocation of Scheme assets at 30 June 2021	51.5%	1.2%	6.0%	0.3%	6.8%
Number of meetings eligible to vote at over year to 30 June 2021	8,906	8,906	8,906	297	10,108
Number of resolutions eligible to vote on over year to 30 June 2021	97,746	97,746	97,746	3,885	113,251
Percentage of resolutions voted on where eligible	99.9%	99.9%	99.9%	99.8%	99.9%
Of the resolutions voted on, percentage voted with management	82.1%	82.1%	82.1%	81.5%	83.4%
Of the resolutions voted on, percentage voted against management	16.8%	16.8%	16.8%	18.0%	15.3%
Of the resolutions voted on, percentage abstained	1.2%	1.2%	1.2%	0.5%	1.3%

**Examples of Significant Votes****Process followed for determining the “most significant” votes**

Mercer determines significant votes based on its Engagement Priorities, as set out in their Beliefs, Materiality and Impact (BMI) Framework in the MGIE Sustainable Investment Policy. The significant votes outlined below are votes relating to shareholder resolutions with a specific focus on Climate Change, Modern Slavery and Diversity (i.e. the engagement priority areas in the BMI framework). When there are a large number of votes in any one fund relating to these priority areas the size of the holding within the fund was considered.

**Mercer Growth, Mercer Moderate Growth and Mercer High Growth Funds**

The Mercer Growth, Mercer Moderate Growth and Mercer High Growth Funds contain some common underlying equity funds, therefore the significant votes shown below apply to all three of these funds.

Company	Date of vote	Summary of the resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Intel Corp.	13/05/2021	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	For	Pay gap statistics provide benefits such as transparency and comparability across time and organizations and serve as one valuable measure of representation of women in senior positions. As the proposal is not overly burdensome, support is warranted.	Did not pass
Merck & Co Inc	25/05/2021	Shareholder Proposal Regarding Report on Access to COVID-19 Products	For	Reporting on whether and how public funding would impact the company's pricing and access plans would allow shareholders to better assess the company's management of related risks if its treatments get approved.	Did not pass
Procter & Gamble Co.	13/10/2020	Shareholder Proposal Regarding Deforestation Report	For	We will support proposals that seek to promote greater disclosure and transparency in corporate environmental policies as long as: a) the issues are not already effectively dealt with through legislation or regulation; b) the company has not already responded in a sufficient manner; and c) the proposal is not unduly burdensome or overly prescriptive.	Passed