

## **Johnson & Starley Limited Pension Scheme**

### **Statement of Investment Principles (“SIP”)**

#### **Purpose of this Statement**

This SIP has been prepared by the Trustees of the Johnson & Starley Limited Pension Scheme (the “Scheme”). This statement sets out the principles governing the Trustees’ decisions to invest the assets of the Scheme.

The Scheme’s investment strategy is derived from the Trustees’ investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

#### **Governance**

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees’ investment advisers, Isio, are qualified by their ability in, and practical experience of, financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The Trustees may appoint an Investment Committee to monitor the operation of the Scheme’s investment strategy, make day-to-day decisions as necessary for the smooth running of the Scheme, and make recommendations to the Trustees on overall strategy.

#### **Investment objectives**

In September 2022 the Trustees restructured the strategy by using the Scheme’s assets to purchase a buy-in policy which covers the majority of the Scheme’s liabilities.

Following the purchase of the insurance policy, the Scheme’s investment objective is to achieve the return on UK Government bonds, with a nature and duration consistent with the Scheme’s liabilities.

#### **Investment strategy**

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company’s covenant. The Trustees considered the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities.

The Trustees have also considered a number of other risks set out in the Appendix.

### **Investment Management Arrangements**

The Trustees have appointed an insurer and an investment manager (being a platform provider) to manage the assets of the Scheme. With advice, the Trustees will select underlying funds from the platform to implement the chosen strategy. The platform provider will be responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustees, adjusted as necessary from time to time.
- Providing the Trustees with performance reports and asset valuation when requested.
- Providing any initial asset transition plan for the investment consultant to review; and
- Asset rebalancing and meeting cashflow requirements, when required.

All parties are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment manager. The delegation includes decisions about:

- Realisation of investments
- Selection, retention and ethical considerations in the selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments.

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

The custody of the holdings invested in a pooled investment vehicle is arranged by the investment manager.

### **Investment Manager Monitoring and Engagement**

As the remaining assets are due to fund any additional premiums in respect to the buy-in insurance policy, the Trustees periodically monitor that the Scheme has sufficient assets. If this is not the case, the Trustees may need to intervene.

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

### **Employer-related investments**

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustees will monitor this on an ongoing basis to ensure compliance.

## **Direct investments**

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

## **Compliance**

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

**Signed:        RICK SWIFT**

**Signed:        DARREN HOWARTH**

**Date:           28 March 2023**

## Appendix A – Risks, Financially Material Considerations (including ESG and climate change) and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

<b>Risks</b>	<b>Definition</b>	<b>Policy</b>
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. Investing in assets with a contractual return, or a return that is correlated with the valuation of the Scheme's liabilities.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

<b>Risk</b>	<b>Definition</b>	<b>Policy</b>
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To match the Scheme's interest rate and inflation risk through buy-in and gilt assets.
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).

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 Scheme for the risk of default
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.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 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
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
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.

## **Appendix B**

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

### **How are the investment managers incentivised to align their investment strategy and decisions with the Trustees policies?**

As the Scheme is invested in an insurance policy and pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the purchase of the buy-in policy and pooled fund holdings are aligned to the strategic objective

### **How are the investment managers incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term?**

- The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.
- The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.
- The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.

### **How are the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services in line with the Trustees policies?**

The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.

### **The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.**

The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

### **The duration of the Scheme's arrangements with the investment managers**

- The purchase of the buy-in policy is a permanent investment, but this was deemed to be appropriate for the Scheme given the additional security it provides for members' benefits.
- Apart from the insurance policy, the Scheme's other assets are invested in open ended funds. The duration is flexible, and the Trustees will consider the appropriateness of these investments and whether they should continue to be held from time-to-time.