



The Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme

31 August 2024

Background and Implementation Statement

Background

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

Implementation Report

This implementation report is to provide evidence that the Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles ('SIP').

The SIP can be found online at the web address <https://www.isio.com/scheme-documents/cromwell-group-holdings-limited-pension-and-life-assurance-scheme-statement-of-investment-principle/> changes to the SIP are detailed on the following page.

This Implementation Report details:

- actions the Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme 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 Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate (note that this detail is covered by the attached report, provided by Mobius)
- voting behaviour covering the reporting year up to 31 August 2024 for and on behalf of the Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme including the most significant votes cast by the Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme or on its behalf (note that this detail is covered by the attached report, provided by Mobius).

Implementation Statement

This report demonstrates that the Cromwell Group (Holdings) Limited Pension and Life Assurance Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge the vast majority of these risks through the buy-in policy and the residual asset portfolio.	<p>Over the reporting period, the Scheme continued to invest in nominal and index-linked LDI funds.</p> <p>Towards the end of the reporting period, the Trustee agreed to increase the interest rate and inflation hedge ratio to better manage these risks relative to an insurance basis. These changes were implemented post year end.</p>
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.	<p>Over the period the Trustee kept a large allocation to cash to ensure it had sufficient liquid assets to make benefit payments as they fell due.</p> <p>The Scheme's Absolute Return Bond investment was also daily dealt to provide liquidity if required.</p>
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.	<p>Over the reporting period, the Scheme maintained diversification within its asset portfolio through its investments in a diverse range of credit funds.</p> <p>Towards the end of the period the Trustee agreed to make a full disinvestment from its Buy and Maintain Credit and Absolute Return Bond allocations to better manage market risk relative to insurance pricing.</p>

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.	The Trustee has appointed professional investment managers to manage the credit portfolios. They are expected to use their expertise to pick opportunities whose expected return effectively compensates the Scheme for the credit risk it is taking.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI signatory <p>The Trustee monitors the managers on an ongoing basis.</p>	Further detail provided later in this report
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in funds that hedge the majority of currency risk as far as practically possible.	All the Scheme's investments are in GBP denominated share classes, , with underlying currency exposures managed by professional investment managers.

Changes to the SIP

There were no changes made to the SIP over the reporting period.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG risk, as it could potentially have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. This section details how the Scheme's ESG policy is implemented.

The assets of the Scheme are invested in pooled vehicles through the Mobius Life Platform and the Trustee accepts that pooled investments will be governed by the individual policies of the investment manager. These policies are reviewed as part of the consideration of pooled investments. As such, the Trustee has given the investment managers full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments, in accordance with their own governance policies.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring the existing investment managers. The Trustee will consider the ESG research provided by their Investment Advisor on how the investment manager embeds ESG factors into its investment process.

Engagement and Voting

The Trustee has appointed Mobius Life as the platform provider. Mobius Life has adopted the managers' definitions of significant votes and given the Trustee has not set any stewardship priorities, Mobius have not collected feedback on these.

Please see the documents provided by Mobius Life overleaf for details on engagement and voting actions including a summary of the activity, covering the 12-month period ending 31 August 2024.

