

# **Remploy Limited Pension & Assurance Scheme**

## **Statement of Investment Principles – April 2024**

### **Investment objective**

The Trustee invests the assets of the Remploy Limited Pension & Assurance Scheme (the “Scheme”) with the aim of ensuring that all members’ accrued benefits can be paid. The Scheme’s funding target is specified in the Statement of Funding Principles. The Scheme’s funding position will be reviewed at least annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme’s circumstances.

The Scheme’s present investment objective is to achieve a long term return of around 1.3% per annum above the return on long dated UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme’s liabilities) over a 10 year period.

### **Governance**

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme’s asset allocation and establishing risk and return targets.

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

The Trustee has established an Investment Committee (“IC”) 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 Trustee on overall strategy. The IC shall have authority for the appointment and termination of fund managers and have such other delegated authority and duties as the Trustee shall from time to time decide. This structure has been established in order to ensure that decisions are taken by those who have the appropriate training and expertise.

### **Investment strategy**

The Scheme’s investment strategy is to invest according to the following broad asset allocation:

<b>Assets</b>	<b>Proportion (%)</b>
Growth Assets	10.0-30.0
Liability Matching Assets	70.0-90.0
<b>Total</b>	<b>100.0</b>

The Growth Assets are inclusive of but not limited to Property, Infrastructure, Private Market Lending and Credit while the Liability Matching Assets shall be inclusive of Buy and Maintain Bonds, Asset Backed Securities and Liability Driven Investments (“LDI”).

The LDI portfolio will hedge c.100% of the Scheme's Technical Provisions liabilities against interest rate and inflation risk.

The above investment strategy was derived from careful consideration of 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 contributions required to fund the Scheme, and also the strength of the sponsor's covenant. The Trustee considered the merits of a range of asset classes, including various alternative assets. The Trustee will undertake to consult with the Employer on all strategy reviews.

The Trustee recognises that the investment strategy is subject to risk, 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 risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The Trustee has also considered a number of other risks set out in Appendix A. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

### **Investment Manager Arrangements**

The Trustee has appointed several investment managers to manage the assets of the Scheme as listed in the IIP. The investment managers 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 managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee take investment managers' policies into account when selecting and monitoring managers. The Trustee 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 Trustees have appointed a custodian to operate alongside the investment managers in place. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends. Where the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

### **Employer-related investments**

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Plans (Investment) Regulations 2005. The

employer, The Department for Work and Pensions (DWP), has no assets in which the Scheme can invest.

## Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"> <li>The IC receive a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Investment Committee meeting.</li> <li>The Scheme's investment managers are invited, in person, to present to the IC on their performance, strategy and risk exposures.</li> </ul>	<ul style="list-style-type: none"> <li>There are significant changes made to the investment strategy.</li> <li>The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations.</li> <li>Underperformance vs the performance objective over the period that this objective applies.</li> </ul>
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> <li>The IC's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</li> <li>The IC receive information from their investment advisers on the investment managers' approaches to engagement.</li> <li>The IC will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters.</li> </ul>	<ul style="list-style-type: none"> <li>The manager has not acted in accordance with their policies and frameworks.</li> <li>The manager's policies are not in line with the Trustees' policies in this area.</li> </ul>

Through the engagement described above, the IC will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the IC will review the relevant investment manager's appointment and will consider terminating the arrangement.

## **Direct investments**

Direct investments, as distinguished 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 IC 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 Plans (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

**Date:**.....

**Signed:**.....

## Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage, is shown below;

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

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"><li>• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.</li><li>• Investing in a diversified portfolio of assets.</li></ul>
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"><li>• Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li><li>• The Trustee 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.</li></ul>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"><li>• When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.</li></ul>

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

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks, when valued on a Technical Provision basis.
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/synthetic credit manager.

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.
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>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.</p>
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 criterion:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> <li>5. UN PRI Signatory</li> </ol> <p>The Trustee monitors the managers on an ongoing basis.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<ul style="list-style-type: none"> <li>• Hedge all currency risk on all assets that deliver a return through contractual income.</li> <li>• Hedge 100% of currency risk on equities/other assets.</li> </ul>
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 Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</b>	<ul style="list-style-type: none"> <li>As the Scheme is invested in predominantly pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.</li> <li>Three of the Scheme's mandates are subject to a performance related fee to align the interests of the fund managers with the Trustee.</li> </ul>
<b>How the investment managers are 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.</b>	<ul style="list-style-type: none"> <li>The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.</li> <li>The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.</li> <li>The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.</li> </ul>
<b>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with Trustee policies.</b>	<ul style="list-style-type: none"> <li>The Trustee reviews 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.</li> <li>The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.</li> <li>Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.</li> </ul>
<b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b>	<ul style="list-style-type: none"> <li>The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.</li> </ul>
<b>The duration of the Scheme's arrangements with the investment managers</b>	<ul style="list-style-type: none"> <li>The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> <li>For closed ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or</li> </ul> </li> </ul>

	<p>lock-in is in line with the Trustee's objectives and Scheme's liquidity requirements.</p> <ul style="list-style-type: none"> <li>○ For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.</li> </ul>
<b>Voting Policy – How the Trustee expects investment managers to vote on their behalf</b>	<ul style="list-style-type: none"> <li>• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.</li> </ul>
<b>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'</b>	<ul style="list-style-type: none"> <li>• The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.</li> <li>• The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.</li> </ul>