

# Ruberoid Plc Staff Pension Scheme

## Statement of Investment Principles

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## 1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Ruberoid Plc Staff Pension Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments.
- 1.2. In preparing this statement the Trustee has consulted IKO Holdings Plc ("the Principal Employer"), and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.4. The Trustee completed a bulk annuity insurance transaction with Legal & General Assurance Society (the "Insurer") in the contract dated 28 August 2024, which, following a period of data cleansing, is expected to secure the majority of the benefits under the Scheme.

## 2. Choosing investments

- 2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of the Scheme against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. Effective from 28 August 2024, the Trustee entered into a bulk annuity insurance contract with the Insurer, which, following a period of data cleansing, is expected to match all defined benefits due to members of the Scheme (in conjunction with another pre-existing insurance contract held with the same Insurer).
- 2.3. The Insurer is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
- 2.4. The Trustee holds no other investments beyond cash in the Scheme's bank account.
- 2.5. The Trustee continues to review the appropriateness of the Scheme's investment strategy on a periodic basis but would consider it unlikely that any material future changes will be made prior to the Legal & General Assurance Society insurance policy potentially being assigned to individual members and the Scheme then being wound up.
- 2.6. The Trustee will consult the Principal Employer before amending the investment strategy.

## 3. Investment objectives

- 3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:
  - to hold assets that provide a high likelihood that members' entitlements under the Trust Deed and Rules will be met in full as they fall due;
  - to hold assets of appropriate liquidity to meet potential remaining liabilities that are not covered by the bulk annuity policy (where appropriate); and
  - to reduce the risk of the assets failing to meet the liabilities over the long term.

- 3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives.

## 4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property alternatives and annuity policies. The Scheme's current investment strategy involves holding the majority of the Scheme's assets in a bulk annuity insurance contract, with a small cash holding to meet ongoing cashflow requirements.
- 4.2. Given the Scheme's investment strategy, it is not expected that the Scheme will hold any employer-related investments. However, this is typically checked annually by the Scheme's auditors.

## 5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives.
- 5.2. The Scheme holds bulk annuity policies expected to produce cashflows that match the benefit entitlements of each of the Scheme's members. The remainder of the Scheme's assets are held in the Scheme bank account.

## 6. Risks

- 6.1. The various types of investment risk which may affect the Scheme's liabilities are covered under the bulk annuity purchase with the Insurer. Therefore, the vast majority of the risks set out below are covered by the insurance policy and are therefore judged to have minimal impact on the Scheme's ability to meet the liabilities of the Scheme as they fall due. However, the Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

Risk versus the liabilities	Following a period of data cleansing, the Trustee notes that by securing the Scheme's benefits with an insurer, the risk of benefits not being met is now very low.
Covenant risk	The Scheme is less reliant on the strength of the Employer's covenant as the Scheme's benefits have wholly been secured with an insurer. When converting the buy-in policy into a buy-out policy with the Insurer, the Scheme will be reliant on the Employer to make good any shortfall in excess of the small amount of assets held outside of the insurance contract.
Insurer counter party risk	The risk of the insurer defaulting has been managed through the selection of a reputable UK regulated insurer and potentially supported by the insurance compensation regime in place should an insurer fail.
ESG/Climate risk	The Trustee has limited scope to influence ESG and sustainability issues due to the illiquid nature of buy-in policies. The intention is that such policies will be held for the long-term and in some instances may be irrevocable. Nonetheless, the Trustee considered whether the Insurer's ESG & sustainability approach was aligned with their policies prior to the transaction. The Trustee also has the option to engage with the insurer on these issues for as long as the buy-in policy remains an asset of the Scheme. The Trustee's expectation is that the Insurer will undertake good stewardship and positive engagement in relation to the assets held.

Concentration risk	The Insurer is expected to manage broadly diversified portfolios and to spread assets across a number of holdings.
Liquidity risk	The Scheme holds cash in the Scheme's bank account, such that there is a sufficient allocation to liquid investments to meet the Scheme's remaining shorter-term cashflow requirements that are not covered by the bulk annuity insurance contract. The Scheme's administrators monitor the level of cash available in the Scheme's bank account and request that the Principal Employer makes contributions to the Scheme as and when required.
Currency risk	The Scheme's liabilities and the income produced by the bulk annuity contract are both denominated in Sterling.
Loss of investment	In the event of the Insurer becoming insolvent, the Scheme could suffer losses on the contract, but would still retain the liability to pay members' benefits. This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The risk of loss of investment by the Insurer was considered by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

## 7. Expected return on investments

- 7.1. The Trustee has chosen to invest the vast majority of assets in bulk annuity policies to match the Scheme's projected benefit payments with income from the policy. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme that are not covered by the policy, and ongoing expenses.
- 7.2. The Trustee has not set an expected return on the bulk annuity policies, given their primary purpose is as an insurance contract rather than a return-seeking investment.

## 8. Realisation of investments

- 8.1. The annuity policies are not readily realisable and the Trustee does not expect to need to surrender or realise the contracts given their nature and purpose. The income from the bulk annuity policies will be used to pay benefits covered by the policies.
- 8.2. The remaining monies of the Scheme are held in assets that can be realised at short notice.

## 9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

- 9.1. Since the majority of the Scheme's assets are held in an insurance policy, these matters are primarily an issue for the Insurer to manage. This is reflected in the Trustee's own policies, as summarised in Appendix 2.

## 10. Agreement

- 10.1. This statement was agreed by the Trustee and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the actuary and the Scheme auditor upon request. A copy of this statement will also be made available online.

## **Appendix 1 Note on investment policy of the Scheme as at October 2024 in relation to the current Statement of Investment Principles**

### **1. Choosing investments**

The Trustee has appointed the following insurer to carry out the day-to-day investment of the Scheme:

- Legal and General Assurance Society (Bulk annuity policy)

The Trustee has an AVC contract with Standard Life, Equitable Life and Prudential for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

The Scheme also has a bulk annuity policy with Legal & General in respect of the members who were pensioners when the policy was bought in 2008.

The Insurer and AVC providers are authorised and regulated by the Financial Conduct Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

### **2. The balance between different kinds of investment**

Most of the Scheme's assets are held in a bulk annuity policy. The remaining assets are held in the Scheme's bank account, bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme that are not covered by the policy.

### **3. Investments and disinvestments**

The Scheme's cashflow requirements are expected to be met by the Scheme's remaining cash holdings and the annuity policy.

### **4. Fee agreements**

The Trustee paid a premium to the Insurer to enter into the bulk annuity contract.

The Trustee has appointed Barnett Waddingham LLP to advise on actuarial, risk transfer and investment matters. Barnett Waddingham are remunerated on a fixed fee basis, with work falling outside of this scope typically being subject to agreed project costs or charged on a time-cost basis.

## **Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities**

### **1. Financially Material Considerations**

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including, but not limited to, climate change) have the potential to be financially material and therefore has a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments. The management of ESG and climate change by the Insurer was considered as part of the decision to purchase the buy-in policy.

The Trustee appreciates that the method and process of incorporating ESG in the investment strategy may differ between asset classes. The Trustee is also cognisant of the different investment timeframes that may apply to investments. The Trustee believes that ESG issues may have a greater impact over a longer timeframe, compared to investments that are held for a shorter timeframe.

The Trustee accepts it has limited scope to influence ESG and sustainability issues due to the illiquid nature of buy-in policies. However, the Trustee has an expectation that the Insurer will consider ESG-related issues in selecting securities and other investments or will otherwise engage with the issuers of their underlying holdings on such matters in a way that is appropriate for the nature of the assets under consideration.

The Trustee has not imposed any restrictions relating to ESG issues on the Insurer and have not imposed any exclusions on their investment arrangements based on ESG factors.

The remainder of the Scheme's assets are held in cash. The expectation is that the cash holding will be depleted over a short period of time (less than around 2 years). As such, ESG issues are not considered material in relation to the cash holding.

### **2. Approach to monitoring ESG policy**

The Scheme's assets are held as a bulk annuity policy and cash. Given the nature of the current holdings in the Scheme, the Trustee will review and monitor the ESG policy as it deems appropriate, considering the risks that present themselves.

### **3. Policy on the exercise of voting rights and engagement activities**

The Trustee notes that by securing the Scheme's benefits with an insurer, it has limited ability to influence the voting and engagement activities undertaken on behalf of the Insurer.

Responsibility for engagement with the issuers of investments underlying the bulk annuity policy, including voting policy (where applicable), is the responsibility of the Insurer. However, the Trustee has an expectation that the Insurer will engage with the issuers of the underlying holdings in a way that is appropriate for the nature of the assets under consideration.

The Insurer has discretion over where in an investee company's capital structure it invests, whether directly or as an asset within a pooled fund. The Trustee considers it to be a part of the Insurer's role to assess and monitor developments in the capital structure for each of the companies in which the Insurer invests.



The Scheme's residual assets are expected to be held in cash, where the impact of engagement on risk/return is expected to be limited (particularly given the short timeframe over which cash is expected to be held).

Based on the current investment strategy, and the expectation that all liabilities will be bought-out with the Insurer over the short-term, the Trustee has not set stewardship priorities.

## 4. Conflicts of interest

The Scheme's investment adviser is independent, and no arm of their business provides asset management services. This, and their FCA-regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflicts of interest.

The Trustee expects the Insurer to have a conflicts of interest policy in relation to their engagement and ongoing operations. The Trustee therefore believes it has managed the potential for conflicts of interest in the appointment of the Insurer, and investment adviser, and conflicts of interest between the Trustee, investment adviser, the insurer, and any underlying investee companies.

## 5. Non-financially material considerations

When constructing the investment strategy, the Trustee does not prioritise non-financial matters. Given the bulk annuity purchase, the Trustee has limited ability to address non-financial matters.

The Trustee will review its policy on whether or not to take account of non-financial matters periodically.

## 6. Policy on arrangements with investment managers

### Incentivising alignment with the Trustee's investment policies

Arrangements for incentivising the investment managers of the assets underlying the bulk annuity policy are expected to be addressed by the Insurer.

### Method and time horizon for assessing performance

The Scheme invests exclusively in a bulk annuity policy, with a small residual cash holding. Therefore, the Trustee does not undertake regular formal monitoring. However, the Trustee would undertake such monitoring if the situation were to change, and it was deemed necessary.

### Portfolio turnover costs and duration of arrangement

The Trustee acknowledges that portfolio turnover costs can impact on the performance of its investments. If an investment manager were appointed in the future, the Trustee would consider both past and anticipated portfolio turnover levels as part of the appointment process. If underperformance were identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments may reflect the market conditions and peer group practices.

The Trustee accepts it has little influence over the turnover of the Insurer's portfolio. However, they would expect turnover to be kept to the level required for the ongoing efficient management of the assets held in light of the Insurer's liabilities.

The buy-in policy is expected to be held during a period of data cleansing. Following this period, the expectation is that the Scheme will convert all bulk-annuity policies into individual policies with each Scheme member.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years or so, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers (if assets are invested via an investment manager), and the specific funds used, is assessed.