

**Statement of Investment Principles
2023**



**Jenks & Cattell Engineering
Pension Scheme**

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1 Introduction

- 1.1 This Statement sets out the principles governing decisions concerning investments for the Jenks & Cattell Engineering Pension Scheme (the Scheme) in accordance with the requirements of the Pensions Acts 1995 & 2004, Occupational Pension Schemes (Investment) Regulations 2005 and the subsequent changes to this Act. The amended Investment Regulations now mean that it is vital that trustees of all schemes understand and include Environmental, Social and Governance (ESG) factors and stewardship approaches in their investment decision-making. A failure to do this puts trustees at significant risk of breaching their legal and regulatory duties. This document is subject to periodic review by the Trustees of the Jenks & Cattell Engineering Pension Scheme..
- 1.2 In finalising this Statement, the Trustees have taken advice from their appointed Investment Adviser, Broadstone Corporate Benefits Limited ("Broadstone"), who have confirmed that they have the appropriate knowledge and experience to give advice required by section 35(5)(a) of the Act. The Trustees have also taken account of the projected cash flows within the Scheme from the Scheme Administrators and the liability profile from the Scheme Actuary.
- 1.3 It should be noted that the Investment Adviser role is very limited, which reflects the wider knowledge within the Trustee body.
- 1.4 The Trustees have consulted Jenks & Cattell as the Principal Employer under the Scheme, and agreed the approach taken in this Statement.
- 1.5 The Scheme provides Defined Benefits (DB) for members and their dependants in accordance with its Trust Deed and Rules (the Rules). This category is closed to future accrual, with all employees having a separate pension arrangement in place for their future service.
- 1.6 This Statement is consistent with the investment powers of the Trustees as set out in the Rules and the Trustees will refer to the Rules for any clarification of their investment powers. (See Appendix 2.) Neither this Statement nor the Rules restricts the Trustees' investment powers by requiring the consent of the Principal Employer.
- 1.7 Except for cash, the Trustees do not themselves conduct any day-to-day management of any of the Scheme's investments. Such management is delegated to appropriately qualified investment managers.

2 Choosing investments and Engagement

- 2.1 The Trustees expect any fund manager appointed by them to have regard to the need for diversification of investments, in so far as this is appropriate to the circumstances of the Scheme.
- 2.2 Before investing in any manner, the Trustees will obtain and consider advice from their appointed Investment Adviser and/or their appointed fund managers as appropriate on the suitability of such investment and its appropriateness in accordance with this Statement.
- 2.3 The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund. The Trustees currently have a mix of funds with Standard Life.
- 2.4 The Trustees are of the belief that ESG and climate risk considerations may extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

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- 2.5 The Trustees considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.
- 2.6 The Trustees considers it to be part of their investment managers' role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.
- 2.7 Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.
- 2.8 The Scheme's investment managers are granted full discretion over whether to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.
- 2.9 The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so, the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees /investment manager and the investee companies.
- 2.10 In selecting and reviewing their investment managers, where appropriate, the Trustees will, where relevant, consider investment managers' policies on engagement and how these policies have been implemented.

3 Governance

- 3.1 The Trustees of the Scheme are responsible for the investment of the Scheme assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have considered whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision-making structure:

Trustees

- Set structures and processes for carrying out their role
- Select and monitor asset allocation
- Select and monitor investment managers
- Make day to day decisions relevant to the operation of the Scheme's investment strategy
- Consider new investment ideas and approaches
- Consider the comments made by the Newship Group Pension sub Committee.

Investment Adviser

- Provides restricted Advice to the Trustees in conjunction with the pension sub-committee.
- Advises on all aspects of the investment of the Scheme assets, including implementation
- Advises on this Statement
- Provides training as required to Trustees

Fund Managers

- Operate within the terms of this Statement and their written contracts
- Select individual investments with regard to their suitability and diversification
- Advise Trustees on suitability of their benchmark

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4 Compliance with the Statutory Funding Objective (SFO)

- 4.1 The Trustees have completed their Statement of Funding Principles in accordance with the SFO as part of their last Triennial Valuation. At the time they established that the Employer has a moderate to strong Covenant with the intention and ability to fund for the benefits as they fall due. At the date of this Statement the Trustees are comfortable with that assessment.
- 4.2 The general funding policy is:
- 4.2.a to maintain the SFO funding level at 100% or above; and
 - 4.2.b to invest the assets such that the risk of deterioration of the SFO funding level to below 100% is balanced against the risk of not achieving the other objectives set out in this Statement and the Statement of Funding Principles.

5 Types of investments to be held

- 5.1 The Scheme's assets totalled £5.2m as at 30 September 2023. Members no longer accrue benefits and the Scheme is closed.
- 5.2 As at 30 September 2020, the Scheme had 33 Deferred and 92 Pensioner (2 of which are insured) members' giving a total of 125. To more closely the membership profile, the Trustees agreed to adopt a bond-based investment strategy to broadly align the sensitivities of the assets with those of the liabilities.
- 5.3 The Trustees have established a Strategic Asset Allocation that the Scheme's assets are expected to be invested in line with:

Asset Class	Strategic Asset Allocation
Corporate Bonds	32.0%
Government Bonds	7.0%
Inflation Linked Government Bonds	37.1%
Cash	24.0%
Total	100.0%

- 5.4 The Trustees acknowledge that the Scheme's actual asset allocation will deviate from the Strategic Asset Allocations due to market movements.
- 5.5 The Trustees have confirmed that other than for reasons of portfolio insurance to help reduce volatility there will be no direct investment in venture capital.
- 5.6 There will normally be no direct investment in property, and no investment in unquoted companies or illiquid assets.
- 5.7 There will be no self-investment in the Employer.

6 Fund Choice

- 6.1 The funds currently in use are: -

Standard Life Corporate Bond
SL Vanguard Government Bond Index Pension Fund
SL Vanguard Inflation-Linked Gilt Index Pension Fund
Standard Life Deposit & Treasury Pension Fund
Total

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6.2 The Trustees receive a DB IQ (Investment quarterly) from their Investment Manager.

7 **Concentration of investments**

7.1 In order to avoid undue concentration in any type or sector of investment, where segregated funds are used, the Trustees will impose on any fund manager appointed by them such requirements to diversify and such restrictions as they deem appropriate.

8 **Risk**

8.1 The Trustees have considered the following risks which influence the investment approach:

- the risk of deterioration in the Scheme's funding level over the long term
- the risk of a shortfall of assets relative to the PPF liabilities
- the risk of the SFO ratio falling below 80%
- the risk of the Employer being unable to support the Scheme
- the risk that the fund managers will not achieve the rate of return expected by the Trustees
- the risk that the investment return will not be enough to keep pace with the growth in the accrued liabilities and price and salary inflation
- the risk of mismatching the profile of the assets with the liabilities
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and on an on-going basis thereafter.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

8.2 These risks are considered as part of each normal strategy review. In addition, the Trustee measure risk in terms of the performance of the assets compared to the benchmarks quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance expectations.

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9 Investment objectives

- 9.1 The primary investment objective of the Scheme is to ensure that the existing assets together with stable future contributions will be enough to provide for the benefits as they fall due.
- 9.2 It is the Trustees' intention to follow a stable investment strategy to achieve: -
- a below average risk of reducing the security of members' accrued benefits
 - a stable long-term funding rate
- 9.3 The fund managers have self-imposed targets which are endorsed by the Trustees.
- 9.4 The Trustees expect the long-term return on funds that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash investments are expected to be lower than returns on funds that invest predominantly in equities. However, bond investments are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash/Deposit style funds will provide protection against changes in short-term capital values and may be appropriate for that part of members' retirement benefits that are taken in the form of tax-free cash.

10 Realisation of investments

- 10.1 Subject to any cash requirements of the Scheme to meet benefit payments, the realisation of investments is delegated to the appointed fund managers as part of their day-to-day management activities.

11 Environmental, Social and Governance (ESG) criteria

- 11.1 The Trustees believe their primary duty is to act in the best financial interests of the beneficiaries.
- 11.2 The Trustees believes that environmental, social and governance factors are financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.
- 11.3 Prior to appointing an investment manager, and where relevant, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.
- 11.4 The Trustees will be reliant on the information presented by the investment manager and their investment adviser regarding the extent to which an investment manager allows for ESG in making their investment decisions. Furthermore, an investment manager's excellence in this area will not take precedence over other factors, including (but not limited to) historical performance or fees.
- 11.5 The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the of the Scheme's membership, and their aims, beliefs and constraints.
- 11.6 Investment manager ESG policies are reviewed in the context of best industry practice and feedback may be provided to the investment managers where relevant.
- 11.7 The Trustees are mindful that the impact of ESG and Climate Change (CC) is of a long term nature but recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself and this is acknowledged in their investment management arrangements.
- 11.8 When considering the management of objectives for an investment manager, including ESG and CC, and the effectiveness and performance, the Trustees will assess these over a rolling timeframe of

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typically 3 to 5 years. This is to ensure the investment manager makes decisions based on an appropriate time horizon. Where a fund has a shorter-term target such as absolute return, it is expected that these will be supplementary to the longer-term performance target which the Trustees expect to represent an appropriate alignment of interests.

- 11.9 The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests. The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.
- 11.10 The Trustees expect the investment manager to be voting and engaging on behalf of the Schemes holdings and this will be monitored within the Implementation Statement in the Scheme's Annual Report and Accounts.
- 11.11 The Trustees do not expect ESG and CC considerations to be disregarded by investment managers in pursuit of short-term targets.

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12 Assessing Performance

- 12.1 The Trustees expect the Investment Manager to exercise the rights attaching to investments on behalf of all participants in the manner which supports the investment and performance objectives of the Scheme.
- 12.2 The Trustees monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.
- 12.3 The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall, they receive less.
- 12.4 The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 12.5 The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.
- 12.6 The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed regularly.
- 12.7 During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is 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 reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements can be beneficial to the fund from both a risk and cost perspective.
- 12.8 The Scheme's investments are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment.
- 12.9 The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used is assessed.

13 Additional voluntary contributions (AVCs)

- 13.1 The Trustees have full discretion as to the appropriate vehicles made available for the investment of members' AVCs. Only investment vehicles considered suitable for AVC investments are considered by the Trustees, having taken appropriate advice.
- 13.2 The Trustees review their policy regarding the investment of AVCs at annual intervals and take account of the returns achieved for members and any comments from members.
- 13.3 The present AVC provider is Standard Life.

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14 Compliance

- 14.1 The Trustees will require any fund manager appointed by them to report at regular intervals to the Trustees on that manager's stewardship of the share of the Scheme assets under the manager's control.
- 14.2 The Trustees will review this Statement annually in response to any material changes to any aspects of the Scheme, its liability profile, funding position, the attitude to risk of the Trustees and the Employer and any weakening of the Employer's covenant, which they judge to have a bearing on the stated Principles.
- 14.3 The Trustees are aware of the potential disruption to anticipated cash flow projections that could arise from members seeking to transfer their scheme benefits to a DC arrangement in order to access Pension Flexibilities. No particular action is to be taken at this time but the demand and effect on the fund will be kept under review.
- 14.4 A review of this Statement will coincide with the triennial actuarial valuation. Any such review will be based on written, expert investment advice and will be in consultation with the Employer.

15 Financially material and non-financially material considerations and exercise of voting rights

- 15.1 The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) may be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer. This is likely to be more than five years from the date of this Statement of Investment Principles.
- 15.2 The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, consider ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments, where deemed financially material. The Trustees take those factors into account as follows:
- Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a part of requests for information/proposals as well as through other regular reporting channels.
 - Retention of investments: Developing a monitoring process in order to monitor financially material factors, including ESG considerations.
 - Realisation of investments: The Trustees may, where relevant, request information from investment managers about how ESG considerations are considered in decisions to realise investments.
- 15.3 The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation and consider them as part of ongoing reviews of the Scheme's investments.
- 15.4 The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising by:
- Undergoing training on ESG considerations, as required, in order to understand fully how ESG factors and Climate Change could impact the Scheme and its investments;
 - Monitoring the Scheme's investment managers, using ESG ratings information available within the pensions industry or provided by its investment consultant, to assess the Scheme's investment managers on ESG.

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- The investment consultant will request that all the Scheme's investment managers provide information about their ESG policies, and details of how ESG is integrated into their investment processes annually.
- 15.5 Non-financially material considerations. The Trustees do not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.
- 15.6 The exercise of voting rights. The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.
- 15.7 The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.
- 15.8 The investment managers will be asked to provide details of their stewardship policy and engagement activities at least annually. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Signed for and on behalf of the Trustees

A handwritten signature in black ink, appearing to be 'D. J. N.', is written over a horizontal line.

Date: 12/3/24

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Appendix 1 – Investment Clause in Trust Deed

- 1 The Trustees shall have power in relation to any monies which they may from time to time hold for the purposes of the Scheme to invest or apply the same in any manner authorised by law for the investment of trust monies or by placing the same on current or deposit account with any bank or banking house in the United Kingdom or be effecting with the Assurance Company annuity or assurance or other contracts or policies providing pensions or other benefits for the purposes of the Scheme payable at an office of the Assurance Company in the United Kingdom but neither the Trustees nor any of the Participating Employers shall be deemed to guarantee the obligations of the Assurance Company under the contracts or policies nor shall they or any of them be liable for any loss arising in connection therewith and the liability of the Participating Employers to pay contributions shall be restricted accordingly.
- 2 The Trustees may delegate their discretion to make decisions about investments in terms of the powers granted by section 34 of the Pensions Act 1995:

Provided that the Trustees shall appoint a fund manager if the Scheme is or becomes a scheme to which section 47(2) of that Act applies.
- 3 Unless the Trustees appoint a fund manager under clause 9, the Trustees shall comply with the requirements of section 36 of the Pensions Act 1995 to obtain and consider proper advice on making and retaining investments.
- 4 If the Scheme is or becomes a scheme to which section 35 of the Pensions Act 1995 applies, the Trustees shall, after consulting with the Principal Employer and considering the advice of a qualified person, prepare, maintain and from time to time revise a statement of investment principles.
- 5 The Trustees shall comply with any restrictions on employer-related investments imposed on them by section 40 of the Pensions Act 1995.
- 6 Subject to their obligations under section 49 of the Pensions Act 1995, the Trustees may make such arrangements generally for the convenient administration of their duties as they deem necessary or desirable and may appoint an individual or corporate body or one of themselves to act for and on behalf of them in relation to the administration and management of the Scheme (including without prejudice to the generality of the foregoing receipt of payments, drawing and endorsing cheques on any bank account in the name of the Trustees and giving receipts and discharges) but subject to such instructions and restrictions as they may specify from time to time and with power for the Trustees at any time to revoke such appointment; and the production of a written authority of the Trustees shall be sufficient protection to any person taking such receipts and discharges or otherwise relying on such authority and unless such person has received notice in writing of the revocation of such authority he shall be entitled to act on the assumption that it remains in force notwithstanding any change of Trustees.