The Roll Group Pension Scheme

Implementation Statement for the year ending 5 April 2021

Introduction

This implementation statement has been prepared by the Trustees of the Roll Group Pension Scheme (the “Scheme”). The Scheme provides benefits calculated on a defined benefit (DB) basis for members in the DB Section and benefits calculated on a defined contribution (DC) basis for members in the DC Section.

The statement:

- sets out how, and the extent to which, the policies set out in the Statement of Investment Principles (SIP) have been followed over the year;
- describes any review of the SIP, including an explanation of any changes made; and
- describes the voting behaviour by, or on behalf of, the Trustees over the same period.

The Trustees’ policies contained in the SIP are underpinned by their beliefs as investors, which have been developed in consultation with their investment consultant.

Trustees’ overall assessment

In the opinion of the Trustees, the policies as set out in the SIP have been followed during the year ending 5 April 2021.

Review of the SIP

The Trustees’ policies have been developed by the Trustees in conjunction with their investment consultant and are reviewed and updated periodically and at least every three years.

The SIP was reviewed twice during the Scheme year. The first review was to reflect changes in legislation effective from 1 October 2020, to update for the implementation of the new DC Section Strategy with Mobius Life, as well as to incorporate the DB Section changes that took place March 2020 in the previous Scheme year. The second review incorporated the following changes to the Scheme’s DB Section’s investment strategy made during the year:

- Restructuring of the LDI portfolio including full redemption from the BlackRock Over 5 Years Index-Linked Gilt Fund and BMO Nominal DLDI Fund; and new investments in the BMO Short Profile Nominal DLDI Fund, BMO Short Profile Real DLDI fund and BMO Equity-linked Real DLDI fund; and
- New investment in the LGIM Cash Fund as a result of restructuring the LDI portfolio.

This review resulted in the Trustees’ policy in relation to their arrangements with their investment managers being updated in November 2020 and agreed 2 December 2020.

Policy in relation to the kinds of investments to be held

The Trustees have given full regard to their investment powers as set out in Rule 5 of the Trust Deed and Rules and have considered the attributes of the various asset classes when deciding which kinds of investments are to be held.

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities
- Fixed interest and index-linked bonds and/or debt instruments.
- Cash
- Property
- Private equity
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes

All investments made during the year have been in line with their Statement of Investment Principles.

Investment strategy and objectives

Investment strategy (DB Section)

The agreed investment strategy is based on an analysis of the Scheme's liability profile, the required investment return and the expected long-term returns from the various asset classes. Long-term returns from growth seeking assets, such as equities, are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to achieve their overall investment objectives.

The Trustees' primary objectives are:

- To provide appropriate security for all beneficiaries.
- To achieve sufficient long-term growth to provide the members' benefits.
- To achieve an appropriate balance between risk and return with regard to the cost to the Scheme and the security of the benefits

All investments decisions made during the year have been in line with the above objectives.

Policy in relation to the balance between various kinds of investments and the realisation of investments (DB Section)

The appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market, where relevant, each manager will maintain a diversified portfolio of securities.

Under normal market conditions the Trustees expect to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress. Dealing spreads and liquidity are monitored periodically by the investment consultant, particularly during periods of heightened volatility such as during the ongoing COVID-19 pandemic.

During the year the Trustees adjusted their investment strategy to that which is described in the Statement of Investment Principles agreed on 2 December 2020.

Policy in relation to the expected return on investments (DB Section)

The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach / maintain a fully-funded status under the agreed assumptions.

The Trustees believe the above Statement remained true during the year.

Investment strategy (DC Section)

The Scheme provides members in the DC Section with a range of funds in which to invest. These aim to allow members to achieve the following:

- maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement;
- protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs; and
- tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.

The Trustees also provide a default strategy that has been designed having taken due regard to the membership profile of the Scheme, including consideration of:

- The size of members' retirement savings within the Scheme.
- Members' current level of income and hence their likely expectations for income levels post retirement.
- The fact that members may have other retirement savings invested outside of the Scheme.
- The ways members may choose to use their savings to fund their retirement.

During the year the Trustees implemented their revised DC strategy. The Trustees agreed the revised DC strategy, proposed by Buck in the paper "Review of DC Section investment arrangements" dated September 2019, at the 13 November 2019 meeting. Pre-asset transfer advice for the implementation of the proposed DC strategy was provided to the Trustees on 11 June 2020.

Policy in relation to the balance between various kinds of investments and the realisation of investments (DC Section)

The investment managers maintain a diversified portfolio of stocks or bonds within each of the funds offered to members under the DC Section (both within the default and self-select options).

Under normal market conditions the Trustees expect to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress. Dealing spreads and liquidity are monitored periodically by the investment consultant, particularly during periods of heightened volatility such as during the ongoing COVID-19 pandemic.

During the year the Trustees adjusted their DC investment options to those which are described in the Statement of Investment Principles agreed on 2 December 2020.

Policy in relation to the expected return on investments (DC Section)

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the membership of the DC Section and having taken into account the risk considerations set out in the SIP.

During the year the Trustees introduced a Default option for the DC Section which is described in the Statement of Investment Principles agreed on 2 December 2020.

Risk capacity and risk appetite

Policy in relation to risks (DB Section)

Although the Trustees acknowledge that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Scheme's Sponsoring Employer to meet its obligations.

The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustees undertake monitoring of the investment managers' performance against their targets and objectives on a regular basis. The Trustees monitor manager risks through the quarterly investment monitoring reports and cost disclosure documents provided by and discussed with the investment consultant.

During the year the Trustees were given access to the investment consultant's Stride system, which allows them to monitor the estimated Scheme funding level on a regular basis.

Policy in relation to risks (DC Section)

The Trustees have considered risk from a number of perspectives. These are the risk that:

- the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
- investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,

- investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit,
- the default option is not suitable for members who invest in it, and
- fees and transaction costs reduce the return achieved by members by an inappropriate extent.

The investment strategy for the default option has been chosen with the aim of reducing these risks.

The self-select funds and alternative lifestyle strategies available have been chosen to provide members with the flexibility to address these risks for themselves.

To help address these risks, the Trustees also review the default option used and the fund range offered at least every three years, taking into account changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

Stewardship in relation to the Scheme's assets

Policies in relation to investment manager arrangements

The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, set by the investment manager, for their services. The Trustees have very limited to no influence over the objectives of these funds or the fees they charge (although fee discounts can be negotiated in certain circumstances).

The Trustees, in conjunction with their investment consultant, have introduced a process to obtain and review the investment holding turnover costs incurred on the pooled funds used by the Scheme on an annual basis.

In addition, the Trustees receive information on any trading costs incurred as part of asset transfer work within either the DB or the DC Section, as and when these occur. The exercise is only undertaken if the expected benefits outweigh the expected costs. The Trustees note that, in respect of the DC Section, trading costs are also incurred in respect of member switches (including within the lifestyle strategy).

The investment managers have invested the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. In return the Trustees have paid their investment managers a fee which is a fixed percentage of assets under management.

The investment consultant has reviewed and evaluated the investment managers on behalf of the Trustees, including performance reviews, manager oversight meetings and operational due diligence reviews.

Stewardship of investments

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

The Trustees, in conjunction with their investment consultant, select their investment managers and choose the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives with respect to the DB Section. However, they have included an Ethical Fund within the DC Section self-select fund options.

In the year ending 5 April 2020, the Trustees received training from their investment consultant on ESG issues, including stewardship and engagement.

Stewardship - monitoring and engagement

The Trustees recognise that the investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees' also delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix.

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management and believe this to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers that manage public equities for the Scheme is as follows:

Voting behaviour			
Investment Manager	**Period**	**Proportion of votes cast**	**Proportion of votes against management**
ASI	31/03/2020 - 31/03/2021	100%	14%
Nordea	01/04/2020 - 31/03/2021	100%	9%
LGIM	31/03/2020 - 31/03/2021	99%	17.5%

Trustees' engagement

The Trustees have undertaken a review of each investment manager's engagement policy including their policies in relation to financially material considerations.

The Trustees have considered the environmental, social and governance rating for each fund/investment manager provided by the investment consultant, which includes consideration of voting and/or engagement activities. This also includes those funds that do not hold listed equities.

The Trustees have reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Links to the Engagement Policies for the investment managers and platform provider can be found here:

Investment manager	Engagement Policy (or suitable alternative)
Mobius Life (Investment Platform Provider)	https://mobiuslife.co.uk/documents/Mobius-Life-Stewardship-Engagement-Policy-2020-Annual-Report.pdf
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf
ASI	https://www.aberdeenstandard.com/en/uk/institutional/home/funds-centre/engagement-policy
Nordea	https://www.nordea.lu/documents/engagement-policy/EP_eng_INT.pdf
M&G	https://www.mandgplc.com/~/media/Files/M/MandG-Plc/documents/mandg-investments-policies/15-06-20-MandG-Shareholder-Rights-Directive-Engagement-Policy.pdf
RLAM	https://www.rlam.co.uk/globalassets/media/literature/reports/2021/77491-stewardship-report-2021-web3.pdf
BMO	https://www.bmogam.com/at-en/institutional/wp-content/uploads/2021/04/bmo-gam-engagement-policy.pdf