

# **Roll Group Pension Scheme**

## **Statement of Investment Principles**

June 2022

# Preface

## **Scheme background**

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Roll Group Pension Scheme (the 'Scheme').

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and 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 DB Section is closed to new entrants and to future accrual.

## **Regulatory requirements and considerations**

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'), the Trustees must ensure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

This SIP also reflects the Myners principles for institutional investment decision-making, which require trustee boards to act in a transparent and responsible manner.

The Trustees are responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing their investment strategy, the Trustees have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustees will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.
- In respect of both the DC Section and the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustees have taken into account the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustees' approach to investment matters within the AVC arrangements is included within this SIP.

## **Responsibilities and appointments**

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees draw on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

## **Consultation**

In accordance with the Act, the Trustees have obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and have consulted Roll Group ('the Sponsoring Employer'). However, it should be noted that neither the Trustees (nor any investment manager to whom they have delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

## **History and review**

The Trustees will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request and published on a publicly available website the details of which are given in the **Compliance** section of this document, which can be found on page 13.

Previous versions of this SIP are dated:

DB and DC SIP dated November 2020

DB and DC SIP dated September 2020

DB and DC SIP dated September 2019

DB Only SIP dated June 2018

DC Only SIP dated September 2016

# Contents

<b>Statement of Investment Principles .....</b>	<b>1</b>
Investment governance structure.....	1
Investment strategy and objectives for the DB section.....	1
The Trustees' policy in relation to the kinds of investments to be held .....	2
The Trustees' policy in relation to the balance between different kinds of investments..	2
The Trustees' policy in relation to the expected return on investments.....	3
The Trustees' policy in relation to the realisation of investments .....	3
The Trustees' policy in relation to financially material considerations .....	3
The Trustees' policy in relation to the extent to which non-financial matters are taken into account .....	3
Investment strategy and objectives for the DC section .....	3
The Trustees' policy in relation to the balance between different kinds of investments in the DC section .....	4
The Trustees' policy in relation to the expected return on investments in the DC section .....	4
Risk capacity and risk appetite .....	5
The Trustees' policy in relation to risks (DB Section).....	5
The Trustees' policy in relation to risks (DC Section) .....	6
Stewardship in relation to the Scheme's assets.....	6
Investment management monitoring.....	6
The Trustees' policy in relation to engagement and monitoring.....	7
The Trustees' policy in relation to peer to peer engagement .....	7
The Trustees' policy in relation to voting rights.....	7
The Trustees' policy in relation to their investment managers .....	7
How the arrangement incentivises the investment managers to align their investment strategy and decisions with the Trustees' policies .....	7
How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term.....	8
How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' investment policies .....	8

How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range .....	8
The duration of arrangements with investment managers .....	9
Employer-related investments.....	9
Additional voluntary contributions (AVCs).....	9
<b>Appointments and responsibilities .....</b>	<b>10</b>
<b>Compliance .....</b>	<b>12</b>
<b>Appendix 1 – DB Section – Strategic benchmark and objectives .....</b>	<b>13</b>
<b>Appendix 2 – DC section – Fund range and objectives .....</b>	<b>15</b>
<b>Appendix 3 – Fees .....</b>	<b>20</b>

# Statement of Investment Principles

## **Investment governance structure**

All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when an investment sub-committee may be set up. The Trustees will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustees will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to appropriately qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or insurance contracts have been exchanged with the investment managers and/or the investment platform provider. These agreements are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee Board is suitable for the Scheme, and appropriately diversified.

## **Investment strategy and objectives for the DB section**

The Scheme's investment strategy has been agreed by the Trustees having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Scheme's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy is based on an analysis of the Scheme's liability profile, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from growth seeking assets, like 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 aim to achieve the overall investment objectives.

The Trustees' primary objectives are:

- To provide appropriate security for all beneficiaries.
- To achieve long-term growth sufficient to provide the benefits from the Scheme.
- To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.
- The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which are included in the appendices of this SIP.
- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details are included in the appendices of this SIP.
- The Trustees are responsible for reviewing both the Scheme's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Scheme's

investment consultant. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

- The Trustees consider the Scheme's current strategic asset allocation to be consistent with the current financial position of the Scheme.

#### **The Trustees' policy in relation to the kinds of investments to be held**

The Trustees have full regard to their investment powers as set out in Rule 5 of the Trust Deed and Rules dated 10 January 2001.

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.

The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity (i.e. the tradability on regulated markets).
- Taxation.

The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Scheme. The Scheme invests (mostly) in pooled funds, other collective investment vehicles and cash. The Trustees have made the decision to invest the majority of assets in pooled funds because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustees to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

#### **The Trustees' policy in relation to the balance between different kinds of investments**

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. Full details are set out in Appendix 1 of this SIP.

**The Trustees' policy in relation to the expected return on investments**

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 most recent published actuarial valuation report in order to reach / maintain a fully funded status under the agreed assumptions.

**The Trustees' policy in relation to the realisation of investments**

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate.

**The Trustees' policy in relation to financially material considerations**

The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustees have reviewed the investment managers' policies in respect of financially material considerations and are satisfied that it is consistent with the above approach.

**The Trustees' policy in relation to the extent to which non-financial matters are taken into account**

The Trustees' objective is that the financial interests of the Scheme members is their first priority when choosing investments. They have decided not to take members' preferences into account when considering these objectives.

**Investment strategy and objectives for the DC section**

The Trustees believe all policies detailed above apply to DC members. This is because many members are likely to be beneficiaries of both DB and DC sections and should not be treated differently. Detailed below are the specific differences that Trustees have considered for the DC section.

The Trustees believe that fund selection is an important decision for all members since it is likely to have an important influence on the risk taken and return achieved on members' pension savings. The Trustees regularly communicate with members to enable them to understand the importance of this area and to provide them with education to help them to make informed choices about their selection of funds.

However, the Trustees also recognise that in practice many members do not actively make an investment choice and are instead invested in the default option. The Trustees therefore recognise the importance of designing an appropriate default strategy for the Scheme's membership.

The Trustees' investment consultant provides advice regarding the suitability of both the default option and the self-select options available.

Details of the default and self-select options chosen (including the investment objectives of the individual funds), are shown in Appendix 2 of this SIP.

Whilst the Trustees believe the chosen default option is a reasonable choice for a lot of the membership, ultimately each member should take into account their own personal



circumstances when determining whether the default option or an alternative strategy would best meet their needs.

The default option 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.

These factors have also been considered when setting the range of alternative investment options from which members can choose.

The objective of the default strategy is to provide a balanced investment strategy for members who do not make an active investment choice. The strategy aims to increase the level of return (net of fees) that a member could expect to receive from the Scheme over the course of their working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected.

The objective of the alternative investment options available is to allow members to tailor their investments based on their individual investment requirements, while avoiding complexity. The range should assist members in achieving 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 recognise that members using the default strategy are likely to be less financially aware than those using self-select options and have taken this into account in the strategy design.

The Trustees are satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

#### **The Trustees' policy in relation to the balance between different kinds of investments in the DC section**

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

#### **The Trustees' policy in relation to the expected return on investments in the DC section**

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

### **Risk capacity and risk appetite**

The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark for the DB Section of the Scheme including control ranges for each asset class (see Appendix 1).

Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment managers are given the appropriate discretion consistent with the guidelines of their mandate.

The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

Given the size and nature of the Scheme, the Trustees have decided to invest the majority of the Scheme's assets on a pooled fund basis. All such investments are affected through direct agreements or through an insurance contract with either the investment managers or the investment platform provider.

The Trustees are satisfied that the range of vehicles in which the Scheme's assets are invested provides adequate diversification.

### **The Trustees' policy in relation to risks (DB Section)**

The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustees have assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Scheme's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining their investment strategy, the Trustees received advice from the investment consultant as to the likely range of funding levels for strategies with differing levels of investment risk relative to the Scheme's liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in Appendix 1 of this SIP has been adopted.

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.

Each fund in which the Trustees invest has a stated performance objective by which investment performance will be measured. These are shown in Appendix 1. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Scheme's investment consultant's governance reporting. Any deviation from the target asset allocation will be discussed periodically with the investment consultant.

### **The Trustees' 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**

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. Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

### **Investment management monitoring**

The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment managers, are monitored by the Trustees with the assistance of the investment consultant.

The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to their portfolios. The investment managers will also report orally on request to the Trustees.

The investment managers will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.

The Trustees receive an independent investment performance monitoring report from the investment consultant on a quarterly basis.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

### **The Trustees' policy in relation to engagement and monitoring**

The Trustees' policy is to 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.

### **The Trustees' policy in relation to peer to peer engagement**

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer to peer engagement in investee companies.

### **The Trustees' policy in relation to voting rights**

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

### **The Trustees' policy in relation to their investment managers**

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe. This same approach applies to the Trustees' approach to choosing their platform provider.

### **How the arrangement incentivises the investment managers to align their investment strategy and decisions with the Trustees' policies**

The Trustees have delegated the day to day management of the Scheme's assets to investment managers, accessed through an investment platform arrangement. The majority of the Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. A fee is also payable to the investment platform provider. The Trustees believe that as both the investment managers and the platform provider receive fees this incentivises them to adhere to their stated policies and objectives, as this income would be withdrawn should the Trustees decide they have not acted in line with these policies and objectives.

Further by using an investment platform provider the scheme expects to benefit from lower investment manager fees through aggregation benefit/increased buying power the platform provider may be able to bring to bear with the underlying managers.

**How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

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.

**How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' investment policies**

The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their documentation. The Trustees review the investment managers and the investment platform provider periodically. Investment manager reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustees determine that an investment manager (or the investment platform provider) is no longer managing the assets in line with the Trustees' policies they will make their concerns known to the investment manager (or platform provider) and may ultimately disinvest.

The Trustees pay their investment managers a management fee, via their investment platform arrangement which is a fixed percentage of assets under management. A separate fee is also payable to the platform provider which is also a fixed percentage of assets.

Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager and the investment platform provider.

**How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Scheme.

The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

#### **The duration of arrangements with investment managers**

The Trustees do not in general enter into fixed long-term agreements with their investment managers or investment platform provider and instead retain the ability to change investment manager (or investment platform provider) should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

#### **Employer-related investments**

The Trustees will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities, owned by pooled investment vehicles invested in, is monitored. The Trustees have delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investment held to the investment managers.

#### **Additional voluntary contributions (AVCs)**

The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Scheme for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from properly qualified and authorised financial advisers.

The members' AVCs are invested via Mobius Life Platform and are given same investment options as provided to DC members. More details on the investment options and the strategy are provided in Appendix 2.

In selecting this range of funds offered the Trustees have taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustees' responsibilities in the selection and monitoring of the investment options offered.
- The Trustees will continue to manage the AVC arrangements having taken professional advice on these matters.
- The Trustees will monitor the performance of AVC providers periodically.
- Members are directed to seek independent financial advice when considering their AVC arrangements.

## Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme. Please note, a full list of the Scheme advisers is provided at the front of the Scheme's annual Report and Accounts. However, at the time of writing this SIP the

- **DB Section Investment Consultants** are Buck Consultants (Administration & Investment) Limited.
- **DC Section Investment Consultants** are Buck Consultants (Administration & Investment) Limited.
- **The Investment Platform Provider is Mobius Life Limited.**
- The **Investment Managers** are detailed in the Appendices to this SIP.
- The **Custodians** are appointed by the pooled fund managers and therefore are not detailed in this SIP.
- The **Scheme Actuary** is James Forrest, Buck Consultants Limited.

### Trustees

The Trustees' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment managers.
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Scheme's assets.
- Reviewing the DB Section's investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Reviewing the DC Section's investment strategy triennially, and following any significant changes to the Scheme's membership profile, taking advice from the investment consultant.
- Assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.

### Investment Consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees.



- Advising the Trustees on the selection and review of the investment manager(s).
- Providing training or education on any investment related matter as and when the Trustees see fit.
- Monitoring and advising upon where contributions for the DB section should be invested or disinvested on a periodic basis.

### **Investment Platform provider**

The investment platform provider's main responsibilities include:

- Providing access to a range of funds provided by various managers.
- Ensuring that investment of the Scheme's assets is compliant with prevailing legislation.
- Providing the Trustees with quarterly reports including any changes to their investment process.
- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.

### **Investment managers**

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the objectives for their investment vehicle.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

### **Custodian**

The custodians' main responsibilities include:

- The safe-keeping of the Scheme's assets in respect of which they are responsible.
- The custodianship arrangements are those operated by the investment manager(s) for all clients investing in their pooled funds. The Trustees note that the appointment of a custodian for a pooled fund is controlled by the pooled fund manager.

### **Administrators**

The administrators' main responsibilities in respect of investment matters include:

- The day to day administration of the Scheme and the submission of specified statutory documentation, as delegated by the Trustees.

### **Scheme Actuary**

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.



## Compliance

The Scheme's SIP is available to members on request and can be found on the following publicly available website:

[www.rollgrouppension.co.uk](http://www.rollgrouppension.co.uk)

A copy of the Scheme's current SIP is also supplied to the Sponsoring Employer, the Scheme's investment platform provider, the Scheme's auditors and the Scheme Actuary.

This SIP, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on 6 July 2022.

## Appendix 1 – DB Section – Strategic benchmark and objectives

### Scheme's target asset allocation

The Scheme's target asset allocation is tabulated below:

Asset type	Investment style	Allocation (%)	Control Range (%)
UK Equity*	Passive	2.0	+/- 2.0
Overseas Equity*	Passive	8.0	+/- 3.0
Infrastructure Equity	Passive	5.0	+/- 2.0
Diversified Growth Fund	Active	14.0	+/- 4.0
Multi Asset Credit	Active	10.0	+/-3.0
High Yield Bond	Active	11.0	+/- 3.0
<b>Return enhancing</b>		<b>50.0</b>	
LDI – Short-Profile Nominal	Passive (Mechanistic)		
LDI – Short-Profile Real	Passive (Mechanistic)		+/- 7.5
LDI – Real	Passive (Mechanistic)	26.6†	
LDI – Equity-Linked Real	Passive (Mechanistic)		
Cash	Passive	9.4	+/-3.0
Absolute Return Credit	Active	14.0	+/-4.0
<b>Risk reducing</b>		<b>50.0</b>	
<b>Total</b>		<b>100.0</b>	

\* The allocation to UK Equity and Overseas Equity also accounts for the equity exposure gained through Equity-Linked Real LDI, which has a target allocation of 20% to UK equities and 80% to Overseas equities

† The Trustees target a hedge ratio of approximately 100% of the Technical Provisions liabilities.

## Benchmark and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Scheme's assets are invested are outlined below. All performance targets are gross of fees and relate to rolling three-year periods.

The Trustees have implemented their strategy through an investment platform, under which they gain access to the following funds through a Life Policy issued by Mobius Life Limited.

Manager	Fund	Benchmark index	Objective % p.a.
LGIM	UK Equity Index Fund	FTSE All-Share Index	To track the performance of the benchmark to within +/-0.25% p.a. for two years out of three.
	World (ex UK) Equity Index Fund – GBP Currency Hedged	FTSE World (ex UK) Index	To track the performance of the benchmark to within +/-0.5% for two years out of three.
	FTSE Developed Core Infrastructure Index Fund	FTSE Developed Core Infrastructure Index	To track the performance of the FTSE Developed Core Infrastructure Index to within +/-1% p.a. for two years out of three.
	Diversified Fund	FTSE Developed World Index – 50% GBP Hedged <sup>1</sup>	To provide long-term investment growth through exposure to a diversified range of asset classes.
	Cash Fund	SONIA <sup>2</sup>	To perform in line with benchmark, without incurring excessive risk.
Nordea	Diversified Return Fund	N/A	Cash +4% p.a. over a full investment cycle.

Manager	Fund	Benchmark index	Objective % p.a.
TwentyFour Asset Management (Owned by Vontobel Asset Management)	Vontobel Fund - TwentyFour Absolute Return Credit	SONIA	To achieve a positive absolute return in any market environment over a period of 3 years while keeping a modest level of volatility. Informal objective is to produce SONIA + 2.5% net over time, with a volatility "ceiling" of 3%.
BMO	Short-Profile Nominal Dynamic LDI Fund		To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme
	Short-Profile Real Dynamic LDI Fund	Swap and Gilt Comparators	
	Real Dynamic LDI Fund		
	Equity-Linked Real Dynamic LDI Fund	Swap and Gilt Comparators with Equity Overlay (50% S&P 500, 20% FTSE 100, 15% EuroStoxx 50, 10% Topix, 2.5% ASX 200, 2.5% Hang Seng)	To provide exposure to global equities via the Synthetic Equity Portfolio and hedge against changes in interest rates and inflation expectations via the Liability Portfolio
M&G	Total Return Credit Fund	SONIA	To outperform SONIA +3-5% gross of fees p.a. over a market cycle
RLAM	Sterling Extra Yield Bond Fund	N/A	To maintain a minimum gross redemption yield of 1.25x the gross redemption yield of the FTSE Actuaries British Government 15 Year Index

<sup>1</sup>The FTSE Developed World Index – GBP Hedged is a comparator for the fund rather than a benchmark to be tracked against.

<sup>2</sup>SONIA is an acronym for Sterling Overnight Index Average – the rate at which banks lend to each other overnight.

## Appendix 2 – DC section – Fund range and objectives

### Lifestyle strategies

There are four separate lifestyle strategies: the Flexible Lifestyle strategy, the annuity-purchase target lifestyle strategy, the cash-target lifestyle strategy and the lower risk lifestyle strategy. The default option for members who do not make an investment choice is for their funds to be invested in the Flexible Lifestyle strategy.

With the exception of the lower risk strategy, the four strategies are all identical up until 5 years to retirement. This should allow members to switch between these options as they form a clear view of their retirement plans. The asset allocation of the default strategy varies with a members' age – further details are shown below.

### Flexible Lifestyle strategy

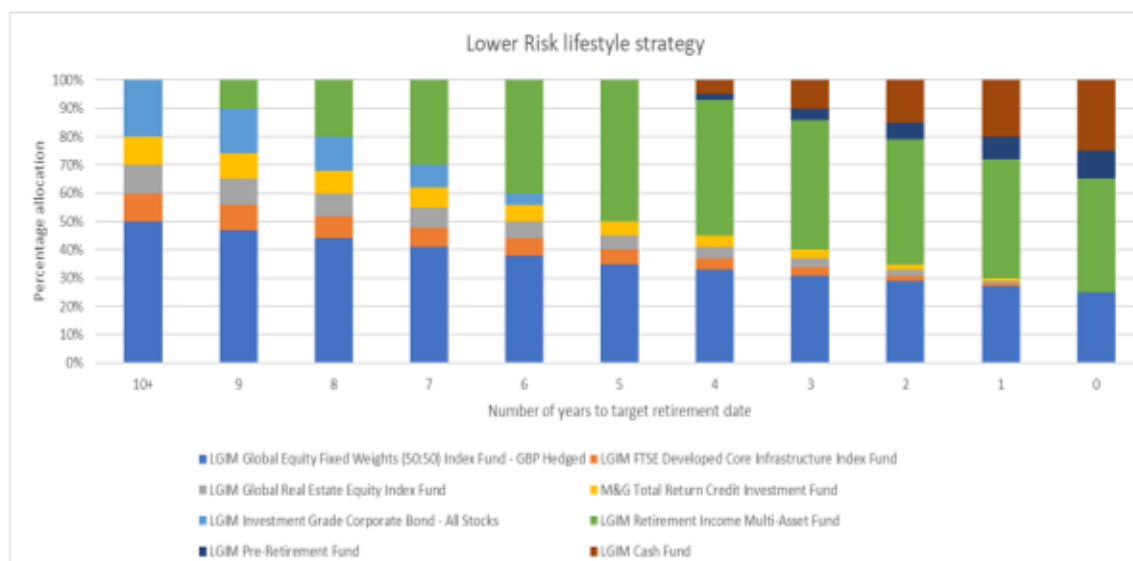
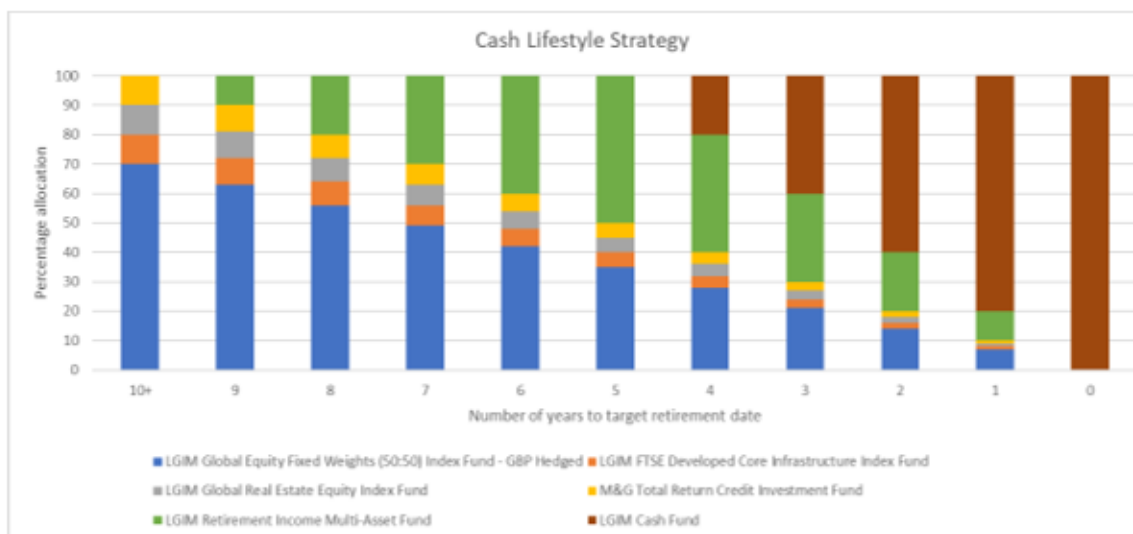
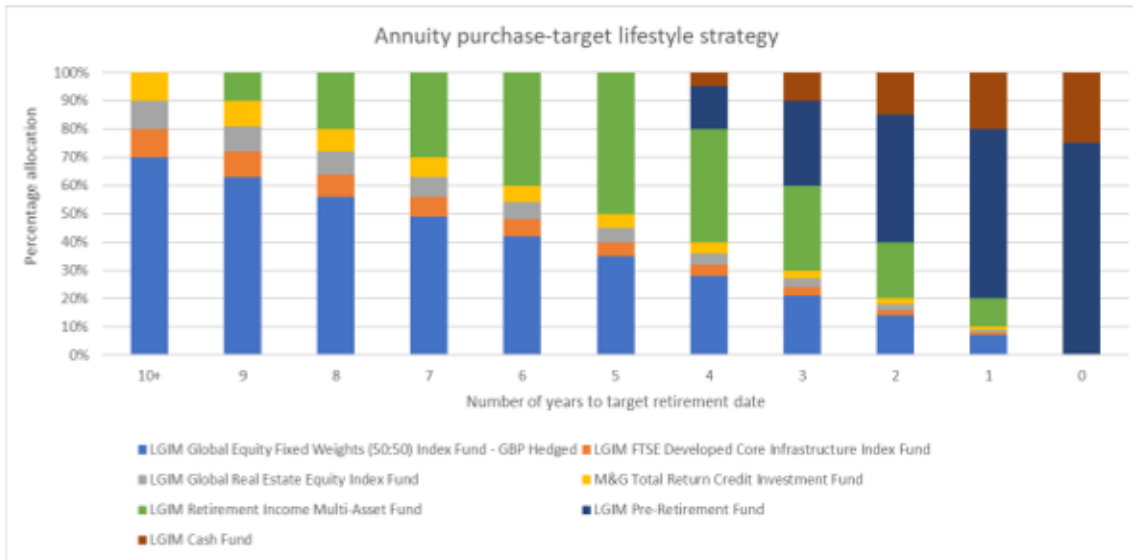
The Flexible Lifestyle strategy entails members' assets being switched between funds as they approach their target retirement date. This strategy targets income drawdown or keeping members' options open at retirement.

The Flexible Lifestyle switching profile used is shown below:



Members using this strategy are contacted prior to the commencement of the phasing period and given the option to switch to a more appropriate investment strategy should the lifestyle strategy outlined above no longer fit with their retirement plans.

## Alternative Lifestyle Options



## Underlying funds used within the Lifestyle Strategies

Manager	Fund	Benchmark index / Comparator	Objective % p.a.
LGIM	FTSE Developed Core Infrastructure Index Fund	FTSE Developed Core Infrastructure Index	To track the performance of the benchmark (less withholding tax where applicable) to within +/-1.0% p.a. for two years out of three.
	Cash Fund	SONIA	To perform in line with benchmark, without incurring excessive risk.
	Global Equity Fixed Weights (50/50) Index Fund – GBP Currency Hedged	Composite *	To provide diversified exposure to UK and overseas equity markets while minimising foreign currency exposure.
	Investment Grade Corporate Bond – All Stocks – Index Fund	Markit iBoxx £ Non-Gilts Index	To track the performance of the benchmark to within +/-0.5% p.a. for two years out of three.
	Pre-Retirement Fund	Composite †	To provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.
	Retirement Income Multi-Asset Fund	Bank of England Base Rate +3.5%	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income.
	Global Real Estate Equity Index Fund	FTSE EPRA/NAREIT Developed Real Estate Index	To track the performance of the benchmarks (less withholding tax where applicable) to within +/-1.0% p.a. for two years out of three.
M&G	Total Return Credit Fund	SONIA	To outperform SONIA +3-5% gross of fees p.a. over a market cycle.

\* Composite consists of 50% UK and 50% overseas – GBP Hedged. The fund's overseas asset distribution is fixed with 17.5% in North America, 17.5% in Europe (ex UK), 8.75% in Japan and 6.25% in Asia Pacific (ex Japan).

† Benchmark asset allocation for the fund is a composite of gilts and corporate bond funds.

## Self-select fund options

The following funds are available to members as stand-alone self-select options:

Manager	Fund	Benchmark index / Comparator	Objective % p.a.
LGIM	Cash Fund	SONIA	To perform in line with benchmark, without incurring excessive risk.
	Global Equity Fixed Weights (50/50) Index Fund – GBP Currency Hedged	Composite *	To provide diversified exposure to UK and overseas equity markets while minimising foreign currency exposure.
	Pre-Retirement Fund	Composite †	To provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.
	Retirement Income Multi-Asset Fund	Bank of England Base Rate +3.5%	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income.
	UK Equity Index Fund	FTSE All-Share Index	To track the performance of the benchmarks (less withholding tax where applicable) to within +/-0.25% p.a. for two years out of three.
	Ethical Global Equity Index Fund	FTSE 4Good Developed Index	To track the performance of the benchmark (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.
BlackRock	Aquila Connect Emerging Markets Fund	Aquila Connect EM Historic Component	To achieve a return that is consistent with the return of the MSCI Emerging Markets Index.

\* Composite consists of 50% UK and 50% overseas – GBP Hedged. The fund's overseas asset distribution is fixed with 17.5% in North America, 17.5% in Europe (ex UK), 8.75% in Japan and 6.25% in Asia Pacific (ex Japan).

† Benchmark asset allocation for the fund is a composite of gilts and corporate bond funds.



## Appendix 3 – Fees

### Investment manager fees

DB Scheme			
Manager	Fund	Investment style	Management fee % p.a.
LGIM	UK Equity Index Fund	Passive	0.029
	World (ex UK) Equity Index Fund – GBP Currency Hedged	Passive	0.10
	FTSE Developed Core Infrastructure Index Fund	Passive	0.35
	Diversified Fund	Passive	0.28
	Cash Fund	Active	0.05
Nordea	Diversified Return Fund	Active	0.52
ASI	Global Absolute Returns Strategies (“GARS”)	Active	0.70
TwentyFour Asset Management (owned by Vontobel Asset Management)	Vontobel Fund - TwentyFour Absolute Return Credit Fund	Active	0.25
BMO	Short-Profile Nominal Dynamic LDI Fund	Passive (Mechanistic)	0.265
	Short-Profile Real Dynamic LDI Fund	Passive (Mechanistic)	0.265
	Real Dynamic LDI Fund	Passive (Mechanistic)	0.265
	Equity-Linked Real Dynamic LDI Fund	Passive (Mechanistic)	0.30
M&G	Total Return Credit Fund	Active	0.40*
RLAM	Sterling Extra Yield Bond Fund	Active	0.58

The above fees are as at 31 March 2022 and may be subject to change. Please note there is an additional Mobius platform fee of 0.05% p.a. for non-LDI funds and 0.075% p.a. for LDI funds.

\* The AMC for M&G Total Return Credit Fund reflects recent change to declare an ongoing Fund Charge, rather than an annual management charge and a fixed additional expense charge.

<b>DC Scheme</b>			
<b>Manager</b>	<b>Fund</b>	<b>Investment Style</b>	<b>Management fee % p.a.</b>
LGIM	FTSE Developed Core Infrastructure Index Fund	Passive	0.35
	Cash Fund	Active	0.05
	Global Equity Fixed Weights (50/50) Index Fund – GBP Currency Hedged	Passive	0.075
	Investment Grade Corporate Bond – All Stocks – Index Fund	Passive	0.06
	Pre-Retirement Fund	Active	0.06
	Retirement Income Multi-Asset Fund	Active	0.30
	Global Real Estate Equity Index Fund	Passive	0.25
	UK Equity Index Fund	Passive	0.029
	Ethical Global Equity Index Fund	Passive	0.30
	BlackRock	Aquila Connect Emerging Markets Fund	Passive
M&G	Total Return Credit Fund	Active	0.40*

The above fees are as at 31 March 2022 and may be subject to change. Please note there is an additional Mobius platform fee of 0.0325 % p.a.

\* The AMC for M&G Total Return Credit Fund reflects recent change to declare an ongoing Fund Charge, rather than an annual management charge and a fixed additional expense charge.