

Statement of Investment Principles (SOIP) – CMP Batteries Pension Scheme

This is the Statement of Investment Principles (the “Statement”) made by CMP Batteries Pensions Limited, as Trustee (the “Trustee”) of the CMP Batteries Pension Scheme (“the Scheme”) in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustee in July 2020, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the Sponsoring Employer to the Scheme (GNB Industrial Power (UK) Limited) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Scheme is a defined benefit scheme which closed to new members on 1 April 1997 and to further accruals on 31 March 2014. The Trustee has entered into a bulk annuity insurance contract with Aviva in 12 February 2020 that is expected to cover all DB liabilities.

The Trustee is aware of the Myners Code of Conduct for Investment Decision Making and is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. However, given the transfer of liabilities to an insurer, it believes these are now of limited relevance.

Scheme objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

Investment strategy

The Trustee has entered into a bulk annuity insurance contract with Aviva that is expected to cover all DB liabilities. In return for the payment of a premium, the Trustee holds an annuity policy with Aviva, the insurer. Under the policy, Aviva makes monthly payments to the Scheme to cover pensioner benefit payments and carries the risk of longevity for the members, as well as the investment risks for the Scheme’s assets.

There is a residual cash fund for meeting future expenses that is invested in liquidity funds with a low risk profile.

The Trustee monitors the performance of Scheme investments relative to agreed criteria on a regular basis.

The Trustee has delegated all day to day investment decisions with regard to the residual cash allocation to the authorised investment manager.

Written advice is received as required from professional advisers.

Choosing investments

The Trustee has appointed an investment manager to invest the residual cash.

The investment manager is authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustee, after taking appropriate advice, has given the investment manager specific guidelines with respect to the management of the residual cash.

The Trustee reviews the nature of Scheme investments on a regular basis to ensure they remain consistent with their views around risk and liquidity. The Trustee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

Remuneration for any mandate is determined at inception based on commercial considerations and typically set as a percentage of the fund under management. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The duration of each mandate is determined by the Trustee at the inception of each mandate and should be compatible with the Scheme's time horizon.

The Trustee undertakes a periodic service provider review in which the ongoing appropriateness of the Scheme's manager arrangements are considered. The Trustee reviews the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities where applicable, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

Kinds of investment to be held

The Scheme may invest the residual cash in liquid pooled funds with a low risk profile.

Risks

Funding risks

Since all liabilities of members in the DB Section have been transferred to Aviva, this section is subject only to the credit risk of the insurer.

This risk is limited by the Trustee investing in the contract with a regulated insurance provider. The contract matches the pensions secured and additional comfort is provided by the statutory capital requirements and Financial Compensation Protection Scheme.

Asset risks

The Scheme is exposed to risks due to the credit risk of the insurer and residual risk of volatility of the cash holding. The principal risks affecting the Scheme are:

- Credit risk - The risk that counterparty defaults on its obligations causing financial loss. It is also the risk that the market price of an instrument falls due to a worsening outlook for the creditworthiness of the counterparty, resulting in a decrease in the market value of the assets.

The Trustee does not expect managers to take excess short term risk and will regularly monitor the manager's performance against the benchmarks and objectives set on a short, medium and long terms basis.

Expected return on investments

The investment in a liquidity fund intends to protect the value of the residual cash against inflation rises as much as possible whilst maintaining a low risk level.

Realisation of investments

The bulk annuity insurance contract that the Trustee has entered into is not expected to be realised.

Portfolio Turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee’s knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period.

The Trustee will challenge its manager if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

Consideration of financially material factors in investment arrangements

The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process.

However, given the majority of assets are now held by an insurer, the investment arrangements are outside of the Trustee control.

Consideration of non-financially material factors in investment arrangements

Given the insurance contract, the Trustee has not considered any non-financially material factors in the development and implementation of their investment strategy.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with the investment manager and the monitoring of compliance with agreed policies.

However, given the majority of assets are now held by an insurer, the investment arrangements are outside of the Trustee control.

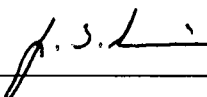
Additional Voluntary Contributions (AVCs)


Some members of the Scheme hold AVC investments with providers including Utmost and Standard Life. The Trustee gave members the opportunity to invest in a range of AVC investments until the Scheme closed to future accrual on 31 March 2014.

The current investment strategy is shown in the Appendix.

Signed for and on Behalf of the Trustee of the CMP Batteries Pension Scheme:

Signature





Date

13th JULY 2020

13/7/20

Appendix

Investment strategy

Strategy	%
Annuity Insurance Contract with Aviva	97.0
Liquidity Funds / Cash	3.0