

Renishaw Pension Fund

Annual Implementation Statement for the Year Ended 30 September 2024

1. Introduction

This Annual Implementation Statement (“the Statement”) sets out how, and the extent to which, the Trustee (“the Trustee”) of the Renishaw Pension Fund (“the Fund”) has implemented the matters in the Statement of Investment Principles (“SIP”) during the year to 30 September 2024 (the “Fund Year”). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

This statement also includes a summary of the voting activity that was carried out on behalf of the Trustee over the Fund year by any of the relevant Fund holdings.

2. Statement of Investment Principles

2.1. Investment Objectives of the Fund

The Trustee’s objective is to invest the Fund’s assets in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within the framework, the Trustee has agreed objectives to help guide decisions in relation to their strategic management of the assets and control of the various risks to which the Fund is exposed.

The Trustee’s primary objective is to ensure the Fund can meet the obligations to members and beneficiaries of the Fund.

The investment objectives for the Fund have evolved due to the significant improvement in the level of funding over 2022, driven by the material rises in UK government bond yields that reduced the value placed on the Fund’s liabilities. As such, the Trustee and Company determined that a material reduction in investment risk was appropriate.

Following this de-risking, and a further improvement in the Fund’s funding level, the Trustee set a long-term target to fully secure all the Fund’s DB liabilities through a buy-in contract.

The Trustee has made significant progress against this objective by investing the majority of the Fund’s assets in a bulk annuity contract with an insurance company (Scottish Widows). The contract is a buy-in policy and covers accrued DB benefits for all members. Some residual liability exists in relation to Guaranteed Minimum Pensions (“GMPs”) and underpins, and there is a provision for any potential cost in this regard.

Following the completion of the buy-in transaction, the residual excess DB assets were invested 100% in Cash, through an investment in the BlackRock ICS GBP Liquidity Heritage Fund. This was considered an appropriate investment strategy for the Fund after the purchase of the buy-in policy, but will be reviewed by the Trustee and Company in future to the extent there are expected to be invested assets over the medium to long term. In addition to the buy-in policy with Scottish Widows, an ongoing cash balance is held in the Trustee Bank Account. This is used to help meet ongoing expenses and any imminent member payments/adjustments.

2.2. Review of the SIP

The Fund’s SIP was updated over the year to 30 September 2024, being signed by the Trustee in January 2024 to reflect the fact that the Fund had entered into a bulk annuity transaction with Scottish Widows.

Assessment of how the policies in the SIP have been followed for the year to 30 September 2024

The information provided in the following section highlights the work undertaken by the Trustee during the year, and over the longer term where relevant, and sets out how this work followed the Trustee’s policies in the SIP.

In summary, it is the Trustee’s view that the policies in the SIP have been followed during the year to 30 September 2024.

Strategic Asset Allocation		
Requirement	Policy	How the policy has been met over the year to 30 September 2024
Kind and balance of investments to be held	<p>The Trustee regards the choice of asset allocation policy as the decision which has most influence on the likelihood that they will achieve their investment objectives. In deciding the asset allocation strategy, the Trustee has taken advice from Mercer and made their decisions in consultation with the Company. The Trustee is satisfied that the spread of assets provides adequate diversification of investment for risk purposes.</p> <p>The Fund's investment strategy as at year-end was invested largely with Scottish Widows via the bulk-annuity transaction, with the residual DB assets invested in the BlackRock Liquidity Heritage Fund.</p> <p>The money purchase transfer-in assets are invested with the DB assets.</p>	<p>In November 2023 the Fund entered into a bulk annuity contract which saw the Fund transfer the majority of its assets to Scottish Widows. The legacy DB and transfer-in assets were invested in the BlackRock Liquidity Heritage Fund. This is a money market fund which provides the Trustee with a low-risk investment which has seen an absolute positive return over the year.</p> <p>The investment strategy for the DC transfers-in assets was reviewed during the Fund year and following advice from Mercer, the Trustee decided to invest these assets in the multi-asset BlackRock DC Diversified Growth Fund. The change was implemented in November 2024.</p>
Risks, including the ways in which risks are to be measured and managed	<p>The Trustee recognises risks (investment, operational and funding) arise from the investment of the DB investment strategy assets and money purchase transfer-in assets. The Trustee also carries out regular monitoring of the strength of the Company and its risk capacity and have concluded that it is at present, and for the medium-term, substantial. The Trustee's perception of the financial strength of the Company is considered in setting the investment strategy for the Fund.</p> <p>As the money purchase transfer in assets are invested with the DB assets, there is no separation, no individual pots, and no ring fencing. Therefore, the risks associated with the money purchase transfers in are similar to those of the DB assets. However, the Trustee recognises that the risks for the money purchase investments fall on the individual member to which they relate.</p>	<p>Following the Fund entering into a bulk annuity transaction with Scottish Widows, the remaining residual DB assets are invested in a low-risk money market fund with BlackRock.</p> <p>The investment strategy for the DC transfer-in assets was reviewed by the Trustee during 2024. The Trustee switched the DC transfer-in assets to the BlackRock DC Diversified Growth Fund in November 2024.</p>

Expected return on investments	<p>The Fund's investment strategy has been structured so that the investments aim to generate the level of return required to meet the overall objectives. With the majority of assets invested via a bulk annuity transaction the Fund does not benefit from any return on these assets given they are guaranteed by Scottish Widows. Though the Fund benefits from the returns provided by the investment of the residual DB assets which have been invested in a money market fund.</p> <p>Given the current investment strategy of the residual DB assets the returns are expected to not deviate significantly from SONIA.</p>	<p>The Trustee monitors the performance of the BlackRock holdings. The investment manager report includes an assessment of the investment manager's performance relative to their stated benchmark.</p> <p>Over the 3 year period to 30 September 2024, the Fund returned -8.3% p.a. on a net of fees basis and over the 1 year period to 30 September 2023 the Fund returned 0.6% on a net of fees basis. Performance has been considered in the context of the prevailing market environment, with negative returns on almost all asset classes over the three-year period given that a large proportion of the Fund's assets were invested in fixed income assets and LDI which saw negative returns as gilt yields have risen over this period.</p> <p>Given the DB residual assets are invested in a money market fund, the expected return is lower than prior years, but the liabilities for the DB section have been secured with a bulk-annuity contract.</p> <p>The investment strategy for the DC transfer-in assets was reviewed by the Trustee during 2024. The Trustee switched the DC transfer-in assets to the BlackRock DC Diversified Growth Fund in November 2024. The fund is expected to deliver returns in excess of inflation under normal market conditions over the longer term, helping to grow a member's assets, whilst providing protection in volatile markets via diversification across different asset classes.</p>
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Investment Mandates		
Requirement	Policy	How the policy has been met over the year to 30 September 2024
Securing compliance with the legal requirements about choosing investments	<p>The Trustee obtains advice from their investment adviser, who can provide expert advice enabling the Trustee to set an overall objective investment strategy and choose investment vehicles that can fulfil the Fund's investment objectives. In the Trustee's opinion this is consistent with the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent regulation.</p>	<p>Over the year, the Trustee received written advice from their investment adviser in relation to entering into the bulk annuity transaction.</p> <p>During the year the Trustee received suitability advice on the investment strategy for the DC transfer-in assets.</p>
Realisation of investments	<p>The Fund's investment manager has discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.</p>	<p>The Fund's residual assets were solely invested in a pooled fund over the year, the BlackRock ICS GBP Liquidity Heritage Fund, which has daily liquidity. The Trustee monitors the Fund's cashflow position on a regular basis to ensure there is sufficient monies to meet the payment of member benefits and any expenses.</p>
Financially material considerations and how those	<p>The Trustee believes that environmental, social and corporate governance ("ESG") factors may have a material</p>	<p>The Trustee was satisfied with the approach taken by both NinetyOne and BlackRock with regards to integrating ESG factors into the underlying portfolios over the year.</p>

considerations are taken into account in the selection, retention and realisation of investments	<p>impact on investment risk and return outcomes.</p> <p>The Trustee's policy is to allow appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. All of the Fund's investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.</p> <p>The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers.</p>	No investment restrictions relating to financially material considerations were set on any of the investment managers over the year to 30 September 2024.
The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	Member views are not taken into account in the selection, retention and realisation of investments.	<p>No member views were taken into account over the year.</p> <p>No investment restrictions relating to financially material considerations were set on any of the investment managers over the year to 30 September 2024.</p>

Monitoring the Investment Managers

Requirement	Policy	How the policy has been met over the year to 30 September 2024
Monitoring the investment manager	The Trustee meets the investment managers as necessary to review their actions together with the reasons for and background to the investment performance. Mercer is retained as investment consultants to assist the Trustee in fulfilling its responsibility for monitoring the managers, by alerting the Trustee to any significant developments at the manager.	Over the year, the Trustee reviewed the performance of the Fund's investment managers with the assistance of Mercer. No issues were highlighted that required action.

Incentivising investment managers to align their investment strategy and decisions with Trustees' policies	The Trustee's approach to incentivising their investment managers was set out in the SIP. This was relevant to the point when the Fund entered into a bulk-annuity transaction at which point these policies were removed.	<p>Over the year, the Trustee reviewed the performance of BlackRock as the investment manager for the residual DB assets. No issues were highlighted that required action.</p> <p>The investment strategy for the DC transfer-in assets was reviewed by the Trustee during 2024. This review was conducted in line with the objectives outlined in the SIP. The Trustee switched the DC transfer-in assets to the BlackRock DC Diversified Growth Fund in November 2024.</p> <p>The Trustee did not monitor portfolio turnover costs over the year.</p> <p>Ninety One were fully disinvested from over the year given the bulk-annuity transaction, with the residual assets all invested with BlackRock.</p>
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ESG Stewardship, Climate Change and Voting Disclosures

Requirement	Policy	How the policy has been met over the year to 30 September 2024
Undertaking engagement activities in respect of the investments and the exercise of the rights (including voting rights) attaching to the investments	All of the Fund's investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.	<p>Over the year, the Fund held no investments with voting rights attached.</p> <p>Where relevant, the Trustee has used Mercer's ESG ratings to help understand the extent to which managers are engaging with and integrating ESG issues into their investment decision making.</p> <p>The Trustee has their own definition of a 'significant vote' based on their engagement priorities, although over the year there was no voting carried out on their behalf by the investment managers.</p>

3. Significant Votes Summary during the year to 30 September 2024

The Trustee has their own definition of a 'significant vote' based on their engagement priorities, though there are no examples of where these arose with respect to voting carried out on their behalf by the investment managers over the year given the nature of the Fund's investments over this period.

The Trustee defines significant votes as ones which relate to the theme of climate change for the top 5 holdings of the individual fund. The Trustee will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry.

Having reviewed the information provided by the managers, the Trustee recognises that the assets it holds have no voting rights attached to them, therefore there was no voting activity to assess over the period.