

# STANDEX UK RETIREMENT PLAN IMPLEMENTATION STATEMENT (“THE STATEMENT”)

## Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee Directors has been followed during the year to 31 May 2020. 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. The table later in the document sets out the extent to which (and how), the policies in the DC Section of the SIP have been followed.

## Investment Objectives of the DC Section of the Plan

The Trustee Directors recognise that individual members have differing investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk. The Trustee Directors believe that members should make their own investment decisions based on their individual circumstances. The Trustee Directors’ principal investment objective is to make available a suitable range of pooled investment vehicles to enable members to make adequate provision for their retirement. The Trustee Directors also recognise that members may not believe themselves qualified to take investment decisions. In particular, the objectives are:

- a. Offering members a ‘Lifestyle’ approach for the default investment strategy and ensuring that the other investment strategy options allow members to plan for their specific retirement objectives.
- b. Making available a range of pooled investment funds on a self-select basis which serve to meet the varying investment needs and risk tolerances of DC Section members. This includes offering both passively and actively managed investment funds.
- c. To provide funds offering potential for high long-term real rates of return (i.e. in excess of price and wage inflation) for those members prepared to accept investment risk.
- d. To provide funds offering protection for members’ accumulated assets against sudden (and sustained) reductions in capital values or in the amount of pension that can be purchased.
- e. To consider the cost and complexity of the Plan in terms of administration and communication.
- f. To offer members sufficient choice to tailor their investments to their own personal and financial circumstances.
- g. To establish a default investment strategy to ensure that all members of the Plan make contributions towards their retirement fund, regardless of whether or not they make a choice of which fund to invest in.
- h. Providing general guidance as to the purpose of each investment option.
- i. Encouraging members to seek independent financial advice from an appropriate party in determining the most suitable option for their individual circumstances.

The policies set out in the SIP are intended to help meet the overall investment objectives of the Scheme. Detail on the Trustee Directors' objectives with respect to the default option, the alternative lifestyle options and the self-select fund range are outlined in the SIP.

### **Review of the SIP**

During the reporting year the Trustee Directors reviewed the Plan's SIP. A revised SIP was signed in September 2019 in order to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) Regulations 2018 relating to the following:

- How the Trustee takes account of financially material considerations (including ESG considerations and explicitly climate change)
- The extent to which non-financial matters are taken into account
- The approach to the stewardship of investments

The Trustee Directors' policy relating to the above are included in the table on pages 8-11 of the SIP.

In addition to the above, the SIP was also amended to note that the Plan was in the process of implementing some changes to the default investment arrangement that would be reflected in an updated SIP once these changes were in place.

### **Investment Strategy Review**

The default investment option is reviewed at least triennially as part of the Trustee's investment strategy review. In 2017, the Trustee Directors (in consultation with their advisers) reviewed the Plan's investment strategy. Considering the Plan's membership and investments along with other options available under the current provider agreed that the default should change from targeting annuity purchase to one that targets income drawdown. Members were due to receive a communication detailing these changes in early 2019. However, there were further changes announced affecting the services and governance of the investment provider, Aegon, that prompted the Trustee to re-evaluate and consider whether a more comprehensive review of the Plan's DC section was warranted. After additional due consideration at the May 2019 Trustee meeting, including verifying the continued validity of the investment strategy advice given as part of the investment strategy review in 2017, the Trustee decided to continue with the change in default. The implementation was revised for Q4 2019. As such, although no review was undertaken during the year, changes to the Plan's default investment option were implemented in early 2020.

### **Assessment of how the Policies in the SIP have been followed for the year to 31 May 2020**

The information provided in this section highlights the work undertaken by the Trustee Directors during the year, and longer term where relevant, and sets out how this work followed the Trustee Directors' policies in the SIP, relating to the DC section of the Plan.

#### **Policy Requirements over the year to 31 May 2020**

	<b>Requirement</b>	<b>Policy</b>	<b>In the year to 31 May 2020</b>
1	Securing compliance with the legal requirements about choosing investments	<i>The Trustee will obtain advice from their investment adviser, who can provide expert advice enabling the Trustee to choose investment vehicles that can fulfil the Plan's investment</i>	With assistance and a note of advice from their investment advisers, the Trustee undertook an investment strategy review of the default arrangement in 2017, as part of the triennial regulatory investment

		<p><i>objectives. In the Trustee opinion, this is consistent with the requirements of Section 36 of the Pensions (Northern Ireland) Order 1995. The Trustee also refer to this Statement before making any investment decisions.</i></p>	<p>review, the review covered the DC Section investment arrangement, including the performance and the strategy of the default arrangement and the DC Section. As a result of this review, the Trustee Directors agreed that the default should change from targeting annuity purchase to one that targets income drawdown. This was implemented in early 2020.</p>
2	Kinds of investments to be held	<p><i>A range of asset classes are included within the default investment option (within the blended funds used), including: developed market equities, emerging market equities, money market investments, diversified growth funds and pre-retirement funds. It is the Trustee's policy to utilise both active and passive management within the default investment option, depending on the asset class.</i></p> <p><i>The default investment options invest in developed market equities, emerging market equities, money market investments, diversified growth funds and pre-retirement funds. Both active and passive management funds are used.</i></p> <p><i>Making available a range of pooled investment funds on a self-select basis which serve to meet the varying investment needs and risk tolerances of DC Section members. This includes offering both passively and actively managed investment funds.</i></p>	<p>The default investment option was subject to its formal triennial review in 2017. Although this review was not undertaken during this Plan year, it represents an important exercise for the Trustee that covers the majority of the investment policies the Trustee has in place. The investments (fund type, management style and asset allocations) used in the default strategy and self-select fund range were reviewed as part of this exercise.</p> <p>The Trustees (in consultation with their advisers) agreed that the default should change from targeting annuity purchase to one that targets income drawdown. They also agreed to retain the annuity targeting lifestyle fund as a self-select fund for members. Both of these changes were implemented in early 2020.</p>
3	The balance between different kinds of investments	<p><i>In designing the default option, the Trustee have explicitly considered the trade-off between expected risk and return. This is the main consideration when determining the balance</i></p>	<p>The strategic asset allocation of the default investment option is reviewed on a triennial basis. The date of the last review was 2017. A review of the self-select options also formed part of the triennial investment review. The Trustees (in consultation with their advisers) agreed</p>

		<p><i>between different kinds of investments.</i></p> <p><i>Members can combine these funds in any proportion to determine their own investment strategy. The balance between funds will affect the expected return on member's assets and should be related to the member's own risk appetite and tolerances.</i></p>	<p>that the default should change from targeting annuity purchase to one that targets income drawdown. They also agreed to retain the annuity targeting lifestyle fund as a self- select fund for members. Both of these changes were implemented in early 2020.</p> <p>The Trustee Directors have previously operated a system of monitoring investment performance via quarterly investment reports. However, following a change to the provider's product the Trustee have tried to request scheme specific investment performance reports from Aegon. The provider has been unwilling to engage with the Trustee Directors on this matter and as such, they have been reviewing other options for the Plan's administration and investment. The Trustee Directors hope to have resolved this by mid-year 2021. However, the Trustee Directors have considered the non-scheme specific investment returns, which are publicly available, for each fund on a quarterly basis and are satisfied, for now, that members have a reasonable balance of investment options available to them.</p>
4	Risks, including the ways in which risks are to be measured and managed	<p><i>The Trustee regards "risk" as the likelihood of failing to achieve the objectives set out above and seeks to minimise these risks, so far as is possible. The Trustee has considered risk from a number of perspectives. Including, Inflation, currency, liquidity, credit, price and investment manager.</i></p>	<p>As detailed in Section 4.1.2 of the SIP, the Trustee consider risk from a number of perspectives when deciding investment policies, strategic asset allocation and the choice of investment managers / funds / asset classes.</p> <p>The Plan maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions. This is reviewed at each Trustee meeting.</p>
5	Expected return on investments	<p><i>The Trustee's principal investment objective is to make available a suitable range of pooled investment vehicles to enable members to make adequate provision for their retirement.</i></p>	<p>Returns on investment relative to a benchmark information is outstanding with Aegon. However, the Trustee Directors have considered the non-scheme specific investment returns, which are publicly available, for each fund on a quarterly basis.</p>

		<p><i>To provide funds offering potential for high long-term real rates of return (i.e. in excess of price and wage inflation) for those members prepared to accept investment risk.</i></p> <p><i>To provide funds offering protection for members' accumulated assets against sudden (and sustained) reductions in capital values or in the amount of pension that can be purchased.</i></p> <p><i>To consider the cost and complexity of the Plan in terms of administration and communication.</i></p> <p><i>To offer members sufficient choice to tailor their investments to their own personal and financial circumstances.</i></p>	<p>The annual value for members assessment includes analysis of how each investment manager is delivering against their specific mandates.</p>
<p>6</p>	<p>Realisation of investments</p>	<p><i>The DC Section's invested assets are invested in funds that are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are in regulated markets, and therefore should be realisable at short notice, based on member demand.</i></p> <p><i>In general the investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments, subject to not exceeding the Trustee's powers as set out in the Trust Deed and Rules. It is the responsibility of Investment managers to generate cash to meet any benefit outgoings, as advised by the Trustee.</i></p>	<p>The Trustee Directors receive scheme management reports on a quarterly basis. Aegon have internal SLAs well within legal timescale and have reported annual progress against the SLAs to the Trustee Directors. As confirmed in the Chair's Statement, the Trustees are satisfied that all requirements were met throughout the year – 96.5% of SLAs were met as at 31 May 2020.</p> <p>All funds are daily dealt pooled investment vehicles, accessed by an insurance contract.</p>

7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p><i>The Trustees have given appointed investment managers full discretion in evaluating 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.</i></p> <p><i>The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities.</i></p>	The annual Value for Members assessment includes ratings (both general and specific ESG) from the investment advisers that sets out their level of conviction in each appointed manager/strategy to achieve its stated performance objective. Any assigned ESG rating reflects the extent to which the manager/strategy integrated the consideration of Environmental, Social and Governance (“ESG”) factors into their investment process. The funds where ratings were available were not below B+.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	<i>Non-financial matters such as member views are not explicitly taken into account in the selection, retention and realisation of investments.</i>	Not explicitly considered.
9	The exercise of the rights (including voting rights) attaching to the investments	<p><i>The Trustee have given appointed investment managers full discretion in evaluating 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.</i></p>	<p>As the Scheme invests solely in pooled funds, the Trustees delegate the exercise of their voting rights to the investment manager. The Trustees do not use the direct services of a proxy voter.</p> <p>The Trustee has made efforts to source data on the voting activity (where relevant) of the Plan’s underlying appointed investment managers. However, we are still awaiting this voting information from Aegon at the time of finalising this implementation statement.</p>
10	Undertaking engagement activities in respect of the investments	<i>The Trustee have given appointed investment managers full discretion in evaluating ESG factors,</i>	As the Plan invests solely in pooled funds, the Trustee requires their investment managers to engage with the investee companies on their behalf.

	(including the methods by which, and the circumstances under which, Trustee would monitor and engage with relevant persons about relevant matters)	<i>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</i>	Over the year to date, the trustees did not consider the voting activity but will do so going forwards once the relevant voting data has been provided as per the Trustee Director's request
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