

The Inductotherm Europe  
Limited Retirement Benefits  
Plan (1971)  
(The “Scheme”)  
Chair’s Statement

Annual Statement regarding  
Defined Contribution  
governance

Year ended 31 March 2022

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## 1. CHAIR'S ANNUAL REPORT

This Statement reports on how the Trustees have complied with the defined contribution (“DC”) governance standards that were introduced under:

The Occupational Pension Schemes (Charges and Governance) Regulations 1996 (the “Regulations”), The Occupational Pension Schemes (Scheme Administration) Regulations (“the Administration Regulations”) 1996 (as amended) The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (“the 2018 Regulations”) and The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021.

It describes how the Trustees have met the statutory governance standards in relation to:

- the Plan’s default funds/arrangement(s);
- disclosure of the Plan’s charges and transaction costs for default funds;
- the appropriateness of the default investment strategy;
- net asset returns for the Plan’s default funds;
- the Plan’s self-select funds/arrangement(s);
- disclosure of charges and transaction costs for the Plan’s self-select funds;
- net asset returns for the Plan’s self-select funds;
- assessment of the Plan’s charges and transaction costs
- provision of examples of the cumulative effect of Plan specific charges and transaction costs on the value of a member’s benefits;
- the requirement for trustees of schemes that have been running for three years or more and have less than £100m total scheme assets, to carry out a detailed assessment to demonstrate that it is providing good ‘value for members’ (a ‘VFM Assessment’) that includes a comparison against at least three other schemes of:
  - reported costs and charges
  - net fund investment performance, and
  - the governance and administration of the Plan,
- the governance and administration of the Plan assessment includes:
  - promptness and accuracy of core financial transactions;
  - quality of record keeping;
  - appropriateness of the default investment strategy;
  - quality of investment governance;
  - the requirement for trustee knowledge and understanding;
  - quality of communication with Plan members;
  - effectiveness of management of conflicts of interest
  - the outcome of the ‘value for members’ (VFM) assessment

This statement covers the period between 1 April 2021 and 31 March 2022; the 2021/2022 Plan year (“the Plan Year”).

This report is available to review under: <https://inductotherm.co.uk/chairmans-statement/>



## 2. DEFAULT FUNDS

### Auto-enrolment

The Plan is used as a Qualifying Scheme for the purposes of auto-enrolment.

### Default Strategy

This is the Plan's default option which became available to existing members and new Plan joiners from August 2017.

Where a Plan member does not decide which funds to invest their member account in it is invested in the default fund.

The following is the Plan's "default arrangement" for the purposes of the Regulations

Fund Name	Type	Charges	Transaction costs	Total Expense Ratio
Inductotherm Diversified Growth Fund	Diversified Growth blend of 50% Legal and General Life Dynamic Diversified Fund and 50% Threadneedle Multi Asset Fund	0.440%	0.021%	0.461%

The strategy of the Fund is firstly to blend two funds from active managers in equal proportions to reduce the risk of an individual manager underperforming and to benefit from the additional styles of each manager. In the event of either or both funds ceasing to fulfil the Trustees' objectives the manager can be substituted easily.

The Individual Manager objectives are:

Legal and General Life Dynamic Diversified Fund – to provide long term investment growth through dynamic exposure to a diversified range of asset classes:

Threadneedle Multi Asset Fund – to achieve total returns equivalent to the benchmark of the fund gross of fees, over the economic cycle (expected to be 5–7 years). The benchmark is the Bank of England Base Rate plus 4% per annum.

### Net Investment Returns for the Plan's Default Funds

#### Annualised Returns (%)

Fund	20 years 2002-2022	15 years 2007 – 2022	10 years 2012-2022	5 years 2017-2022	1 year 2022
Inductotherm Diversified Growth (Default)	1.6%	2.1%	3.2%	5.8%	5.6%

For illustrative purposes this table shows the returns on £10,000 lump sum allocation to a fund at the start of the period with no subsequent contributions or added fees when the allocation was made.

There is no "lifestyling" option available. Any members wishing to pursue such a strategy do so themselves from the fund choices available. Therefore, all members invested in these funds will have the same net returns over the specified period.



## Statement of Investment Principles

The Trustees are responsible for the Plan's investment governance which includes setting and monitoring the investment strategy for the Plan's default funds/arrangements.

Details and objectives of the Trustees policies regarding the default funds/arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP")

Appended to this statement is a copy of the Plan's latest Statement of Investment Principles, which has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Statement of Investment Principles").

The SIP also includes the Trustees policy on Environmental, Social and Corporate Governance (ESG). The Trustees have addressed the policies of the Investment Managers in respect of their views and actions on Environmental and Social Governance (ESG), noting that the funds used were not specifically weighted towards ESG issues. The Trustees have previously distributed a newsletter to members asking for their views on whether they would like to see a more strongly focused ESG fund in 2019. Additionally, the Trustees asked the members if they would like to see a higher risk rated fund than is currently available. There was only a very limited interest and as such no new funds were introduced.



### 3. MEMBER SELF-SELECTED FUNDS (MEMBER CHOICE – FREE STYLE)

In addition to the default strategy, the Trustees also offers a range of self-select funds to provide members who wish to have some control over where they invest, some flexibility to do so. The self-select funds available are listed below:

#### Self-Select Funds (Member choice-free style)

Fund Name	Type	Charges	Transaction costs	Total Expense Ratio
L&G Life UK Equity Index Fund	UK Equity	0.12%	0.018%	0.138%
L&G Life Global Equity Fixed Weights Index Fund	Global Equity	0.17%	0.013%	0.183%
L&G Life Cash Fund	Cash	0.14%	0.022%	0.162%
L&G Life Over 15 Year Gilts Index Fund	Gilts	0.13%	0.039%	0.169%
L&G Life Dynamic Diversified Fund	Multi Asset	0.44%	0.042%	0.482%
Threadneedle Life Multi Asset Fund	Multi Asset	0.44%	0.000%	0.440%

The stated charges above include the Mobius Platform charge which is an investment management charge paid by members and reflected in the unit price of the funds.

#### Net Investment Returns for the Self-Select Funds Annualised Returns (%)

Self-Select Funds	15 years 2007 – 2022	10 years 2012-2022	5 years 2017-2022	1 year 2022
Fund Name	*Not available	*Not available		
L&G Life UK Equity Index Fund	N/A	N/A	4.7%	13.1%
L&G Life Global Equity Fixed Weights Index Fund	N/A	N/A	7.2%	11.2%
L&G Life Cash Fund	N/A	N/A	0.3%	0.0%
L&G Life Over 15 Year Gilts Index Fund	N/A	N/A	0.8%	-7.3%
L&G Life Dynamic Diversified Fund	N/A	N/A	4.7%	4.1%
Threadneedle Life Multi Asset Fund	N/A	N/A	6.4%	5.9%

For illustrative purposes this table shows the returns on £10,000 lump sum allocation to a fund at the start of the period with no subsequent contributions or added fees when the allocation was made.

\* This data is not available because the respective manager did not provide performance data for these periods.



## Pooled Funds

The Plan invests in pooled investment vehicles via the Mobius Life investment platform. Charges are reflected in the fund unit price.

The investment funds are provided through an insurance policy with Mobius Life and there is no UK statutory or regulatory requirement for Mobius Life to register their funds. The funds are managed by the underlying fund managers and may not be listed on any publicly traded exchange. Therefore, unique fund identifiers (e.g. International Securities Identification Number (ISIN)/SEDOL codes (unique seven-character alphanumeric identifiers assigned to securities that trade on the London Stock Exchange and other smaller exchanges in the UK) for these funds may not exist.



## 4. TRUSTEE ASSESSMENT OF MEMBER-BORNE CHARGES AND TRANSACTION COSTS

### Level of member-borne charges and transaction costs

In accordance with regulation 25(1) (a) of the Administration Regulations, and “the 2018 Regulations” the Trustee is required to set out the “charges” and the “transaction costs”, borne by members of the Plan.

For these purposes,

- “charges” means “administration” charges other than:
  - “transaction costs”
  - where an order of the court provides for the recovery by the trustee or managers of costs incurred in complying with the order, the amount of those costs
  - charges permitted by regulations made under section 24 or 41 (charges in respect of pension sharing costs) of the Welfare Reform and Pensions Act 1999
  - “winding up costs”
  - costs solely associated with the provision of death benefits.
- “transaction costs” means the costs incurred as a result of the buying, selling, (switching), lending or borrowing of investments”
- “Winding up costs” means the costs of winding up a pension scheme including (but not limited to) the cost of:
  - legal advice
  - tracing, consulting and communicating with members
  - advice on exiting investments
  - selection of an alternative scheme or investments.

When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

### Annual Management Charge (AMC)

The ongoing charges borne by members, which comprise the annual fund management charges plus any additional fund expenses, such as custody costs, but excluding any transaction costs, is known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges also include a Mobius Platform charge which is an investment management charge paid by members and reflected in the unit price of the funds.

Performance related fees (where applicable), periodic charges (where applicable) and any other running costs of the funds the underlying managers charge to the funds are payable in addition to the Annual Management Charge (AMC), and are taken out of the underlying assets directly.

### Transaction costs

The transaction costs disclosed in this statement are the costs incurred as a result of the buying and selling of assets within investment funds.

The transaction costs have been supplied by Mobius Life, the Plan’s platform provider.

Due to the way in which transaction costs have been calculated, it is possible for overall transaction costs to be negative; since transaction costs are unlikely to be negative over the long term, the Trustees have shown any negative figure as zero. No transaction data has been obtained for the Private Markets Fund since as at year end no member has invested in the fund and the Fund manager has not been able to provide transaction costs.





## Default Arrangements

Members who join the Plan and who do not choose an investment option are placed into the default arrangement. The current default arrangement has been designed to meet the perceived needs and characteristics of the average member who is likely to use it. There is no “lifestyling” option available. Any members wishing to pursue such a strategy do so themselves from the fund choices available. Therefore, this means that the level of charges and transaction costs will not vary depending on how close members are to their target retirement date and in which fund they are invested.

For the period covered, the annualised charges and transaction costs are set out in the table below. The member-borne charges for the Plan’s default arrangement complied with the charge cap.

### Default arrangement: charges and transaction costs

Fund Name	TER, including Mobius platform costs	Transaction costs
Inductotherm Diversified Growth Fund	0.44%	0.042%

### Self-select options

In addition to the current default arrangement, members also have the option to invest in several other self-select funds.

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this statement are set out in the following table. The underlying funds used within the default arrangement are shown in bold.

### Self-select fund charges and transaction costs

Years to target retirement date	TER, including Mobius platform costs	Transaction costs
L&G Life UK Equity Index Fund	0.12%	0.018%
L&G Life Global Equity Fixed Weights Index Fund	0.17%	0.013%
L&G Life Cash Fund	0.14%	0.022%
L&G Life Over 15 Year Gilts Index Fund	0.13%	0.039%
<b>L&amp;G Life Dynamic Diversified Fund</b>	<b>0.44%</b>	<b>0.042%</b>
<b>Threadneedle Life Multi Asset Fund</b>	<b>0.44%</b>	<b>0.000%</b>

Charges and any associated transaction costs (where applicable) are subject to change.



## Illustrative Example of the cumulative effect of scheme specific charges and transaction costs on the value of the member's Defined Contribution benefits

In order to comply with "the 2018 Regulations" the Trustees provide below an illustrative example. The administration charges are all borne by the Sponsoring Company on behalf of the Trustees. The charges borne by members are investment management charges. The table shows the effect over time of the application of charges and transaction costs borne by the Plan membership on the value of their accrued rights to defined contribution benefits of the default fund which over 80% of members use, and the two most frequently used self-select funds:

Years	Inductotherm Diversified Growth		Legal & General Global Equity Fixed Weights Index		Legal & General UK Equity Index	
	Before charges	After all charges and transaction costs	Before charges	After all charges and transaction costs	Before charges	After all charges and transaction costs
1	£54,174	£53,940	£39,117	£39,072	£33,980	£33,957
3	£62,779	£62,009	£47,691	£47,536	£42,270	£42,191
5	£71,741	£70,339	£56,740	£56,448	£51,019	£50,868
10	£95,802	£92,354	£81,616	£80,844	£75,069	£74,663
15	£122,431	£116,185	£110,080	£108,592	£102,589	£101,796
20	£151,902	£141,978	£142,650	£140,153	£134,078	£132,735
25	£184,518	£169,899	£179,919	£176,051	£170,110	£168,012
30	£220,615	£200,120	£222,564	£216,881	£211,341	£208,237
35	£260,564	£232,833	£271,360	£263,322	£258,518	£254,104
40	£304,777	£268,241	£327,196	£316,145	£312,502	£306,405

### Notes:

1	Projected pension fund values are shown in today's terms, and do not need to be further reduced for the effect of future inflation.
2	The starting fund is assumed to be: Inductotherm Diversified Growth Fund (default option) £50,000 L&G Global Equity Fixed Weights Index £35,000 L&G UK Equity Index £30,000
3	Inflation is assumed to be 2.5% each year
4	Contributions are assumed to be 9% of salary (5% from the employee and 4% from the employer). For illustrative purposes a salary of £35,000 is assumed. Salary is assumed to increase in line with inflation.
5	Values shown are illustrative only and are not guaranteed
6	The projected investment return, before charges, transaction costs and the effects of inflation, for each fund is as follows: Inductotherm Diversified Growth Fund (default option): 4.6% L&G Global Equity Fixed Weights Index: 5.3% L&G UK Equity Index: 5.3%
7	Transaction costs are provided by the Investment Platform Manager – Mobius Life.
8	Illustrations are provided for the default option and the main member selected funds being utilised. Projections for any of the other member selected funds are available upon written request.



## 5. VALUE FOR MEMBERS ASSESSMENT

The Government expects that members should be in well run schemes that deliver optimal value for them over the long term, and if this cannot be achieved in their existing scheme it can be achieved by consolidation with other DC schemes.

In accordance with regulation 25(1)(b) of the Administration Regulations, and The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021, the Trustees have therefore assessed the extent to which charges and transaction costs paid by the members and fund performance (net investment returns), including how the Plan is administered and governed, represents good value for members by comparing the Plan with three comparison schemes.

### Comparators

In accordance with the regulations in order to undertake the comparison the Trustee have chosen three comparator Plans and have had discussions with the providers of at least one comparator Plan about the transfer of member's rights if the Plan is wound up, should the Plan following the assessment, be found that it does not provide good value for members.

The Trustees have chosen the following comparators:

- Legal & General WorkSave Master Trust (LGMT) - an Authorised Master Trust.
- National Employment Savings Trust (Nest) - an Authorised Master Trust
- Standard Life DC Master Trust (Standard Life) - an Authorised Master Trust

### Rationale for choosing the Comparators

Three Master Trusts have been selected as a basis of comparison as these are arrangements the Plan could be moved to if it were wound up.

LGMT, like the Plan, also uses a single fund as a default, so it allows for a better comparison. The costs of another unbundled AE Plan have also been compared like for like. As Nest charges a contribution fee the costs have been approximated by comparing the charges levied on an average yearly contribution to the average member pot size. Where a strategy involves Lifestyling, samples have been taken in 10 year increments to be representative of member experience.

- Legal & General were chosen as a mastertrust as they offer a single fund solution, much like the Plan. In addition the Plan has engaged with LGMT and they were willing to provide sample terms.
- Nest was chosen as they are required to take on all prospective members and so are a fair point of comparison.
- Standard Life was chosen as an authorised mastertrust that may be able to offer competitive terms and a similar product range to the Plan.

### Comparison

The Trustees have compared:

- Their most recent assessment of the total charges and transaction costs for the Plan's funds with those of their chosen comparison pension Plans.
- Charges and transaction costs averaged over the last 5 years. Where data was available for fewer than 5 years, an average of total charges and transaction costs over the years for which data was available.
- Charges and costs of the Plan's default arrangement against the other Plans' default arrangements, even though the investment strategy may not be identical.
- The total most recent charges and transaction costs for two of the Plan's most popular self-select funds with the nearest comparable funds in the other pension Plans.



## 6. COMPARISON OF COSTS AND CHARGES WITH THREE COMPARATORS

The costs and charges faced by members have been compared to those of other providers LGMT, Nest and Standard Life.

### Default Funds

This table considers the default options of the comparator Plans.

	Invest- ment costs	Admin costs (where separ- ated )	Trans- action costs	Total costs
Inductotherm Diversified Growth (Default)	0.440%	0.000%	0.042%	0.482%
Legal & General Multi – Asset Fund	0.130%	0.130%	0.006%	0.266%
Nest Default Target Date Funds - 25 Year Old	0.300%	0.640%	0.030%	0.970%
Nest Default Target Date Funds - 35 Year Old	0.300%	0.640%	0.046%	0.986%
Nest Default Target Date Funds - 45 Year Old	0.300%	0.640%	0.046%	0.986%
Nest Default Target Date Funds - 55 Year Old	0.300%	0.640%	0.046%	0.986%
Nest Default Target Date Funds - 65 Year Old	0.300%	0.640%	0.006%	0.946%
Standard Life Active Plus Universal III SLP – 25 Year Old	0.600%	0.000%	0.173%	0.773%
Standard Life Active Plus Universal III SLP – 35 Year Old	0.600%	0.000%	0.173%	0.773%
Standard Life Active Plus Universal III SLP – 45 Year Old	0.600%	0.000%	0.173%	0.773%
Standard Life Active Plus Universal III SLP – 55 Year Old	0.600%	0.000%	0.173%	0.773%
Standard Life Active Plus Universal III SLP – 65 Year Old	0.560%	0.000%	0.145%	0.705%
<b>Average</b>	<b>0.419%</b>	<b>0.277%</b>	<b>0.088%</b>	<b>0.785%</b>
<b>Average for a 25 year old</b>	<b>0.368%</b>	<b>0.192%</b>	<b>0.063%</b>	<b>0.623%</b>

Transaction Costs are based on data provided by LGIM as at 31<sup>st</sup> December 2021. We were unable to collect data for Threadneedle Life Multi-Asset at this time. There may be additional costs involved with Mobius the platform provider. Standard Life transaction costs were as at 31<sup>st</sup> December 2021. Nest Transaction costs are as at 31<sup>st</sup> March 2022.

Total costs for the Plan are below the average cost, as are transaction costs. The costs are kept low as the employer covers the admin costs, therefore costs would likely be higher if the members were moved to another Plan.

### Self-Select Funds

By selecting the most relevant self-select fund from each of the alternative providers and comparing them with the Plan's two most popular self-select funds comparisons were made. Nest do not offer regional equity funds, so their comparison is least meaningful.

	Invest- ment Costs	Admin Costs (where separated)	Trans- action Costs	Total Costs
UK Equity Index	0.070%	0.000%	0.018%	0.088%
Nest Higher Risk	0.300%	0.640%	0.057%	0.997%
Standard Life Ishares UK Equity Index Pension Fund	0.710%	0.000%	0.372%	1.082%
L&G UK Equity Index	0.400%	0.000%	0.018%	0.418%
Average	0.370%	0.160%	0.116%	0.722%

Again, costs are kept lower than comparators, as investment costs are low and the employer covers the admin fees.

The Global Equity fixed weights fund was also assessed.



	Investment Costs	Admin Costs (where separated)	Transaction Costs	Total Costs
Global Equity FW 50:50 Index	0.120%	0.000%	0.013%	0.133%
Nest Higher Risk	0.300%	0.640%	0.057%	0.997%
Standard Life Global Equity 50:50 Tracker Pension Fund	0.690%	0.000%	0.039%	0.729%
L&G World (Ex-UK) Equity Index	0.420%	0.000%	0.000%	0.420%
Average	0.383%	0.160%	0.027%	0.620%

This also shows lower costs and transaction costs compared to the comparators.

### Trustees' Assessment

The Trustees have assessed that the costs and charges of the Plan compare favourably with the three chosen comparators and that the Plan offers competitive costs to their members. In all three cases considered the costs were lower than the average of their comparators.

Therefore, good value for members can be demonstrated under this measure.



## 7. COMPARISON OF NET INVESTMENT RETURNS (FUND PERFORMANCE ) WITH THREE COMPARATORS

### Annualised net returns

Below are detailed the annualised net returns of the default option funds in the Plan and that of the two most popular self- select options over different time periods.

There is no Lifestyling in any of these arrangements and no difference in employer costs. Therefore, all members invested in these funds will have the same net returns over the specified period.

Fund	20 years	15 years	10 years	5 years	1 year
Inductotherm Diversified Growth ( Default )	1.6%	2.1%	3.2%	5.8%	5.6%
L&G UK Equity Index Fund	1.4%	1.9%	2.8%	4.8%	13.2%
L & G Life Global Equity Fixed Weights Index Fund 50:50	2.0%	2.7%	4.1%	7.3%	11.3%

The Trustees assessed the net performance investment returns of the Plan against the three comparator Plans in the short term (a one-year period) to give an immediate indication of performance trend, and over a longer more sustained period for which broadly comparable data can be found (3 and 5 years).

### Default offering

This is where the vast majority of member money is invested and this is the most important section to consider when determining ‘value for member’.

	1 Year		3 Years		5 Years	
	Return	Risk	Return	Risk	Return	Risk
<b>Inductotherm Diversified Growth Age 65</b>	5.59%	5.27%	6.92%	8.19%	5.84%	7.22%
Nest Age 65	0.81%	3.07%	2.83%	4.57%	2.83%	4.22%
LGIM MAF Age 65	4.17%	5.93%	6.02%	9.20%	5.31%	7.93%
Standard Life Age 65	0.63%	3.81%	2.84%	7.78%	1.70%	6.97%
<b>Inductotherm Diversified Growth Age 55</b>	5.59%	5.27%	6.92%	8.19%	5.84%	7.22%
Nest Age 55	8.80%	7.36%	9.48%	10.10%	7.37%	9.16%
LGIM MAF Age 55	4.17%	5.93%	6.02%	9.20%	5.31%	7.93%
Standard Life Age 55	3.23%	4.65%	4.22%	9.21%	3.30%	7.91%
<b>Inductotherm Diversified Growth Age 45</b>	5.59%	5.27%	6.92%	8.19%	5.84%	7.22%
Nest Age 45	9.26%	7.72%	9.64%	10.19%	7.46%	9.21%
LGIM MAF Age 45	4.17%	5.93%	6.02%	9.20%	5.31%	7.93%
Standard Life Age 45	3.23%	4.65%	4.22%	9.21%	3.30%	7.91%
<b>Inductotherm Diversified Growth Age 35</b>	5.59%	5.27%	6.92%	8.19%	5.84%	7.22%
Nest Age 35	9.26%	7.72%	9.60%	10.17%	7.37%	9.09%
LGIM MAF Age 35	4.17%	5.93%	6.02%	9.20%	5.31%	7.93%
Standard Life Age 35	3.23%	4.65%	4.22%	9.21%	3.30%	7.91%

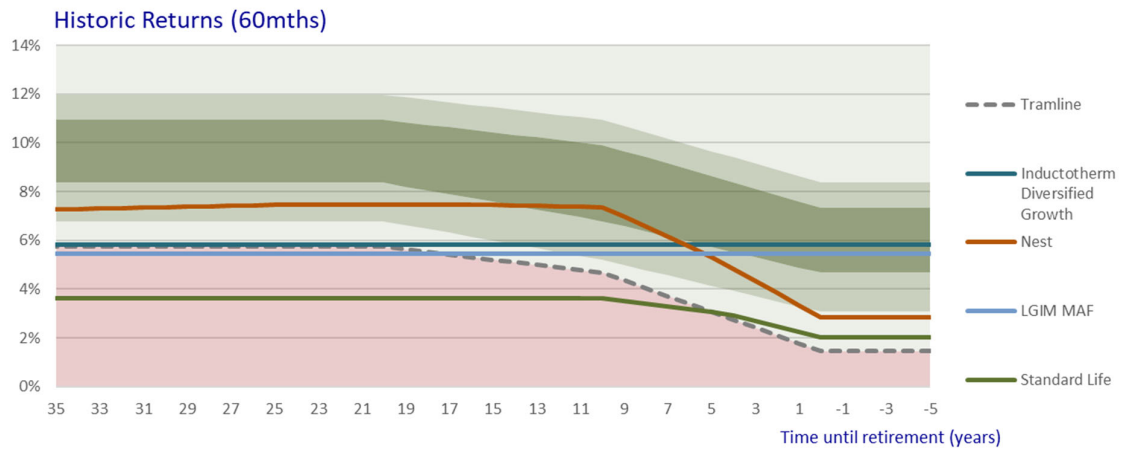
To make these differences in returns clearer, the Trustees have used a fairway model to consider performance:



The x-axis of each chart measures the number of years until a member retires, the y-axis measures a single risk or return metric. The Trustees then plotted on these charts a potential default strategy to demonstrate how it changes over a member's lifetime.

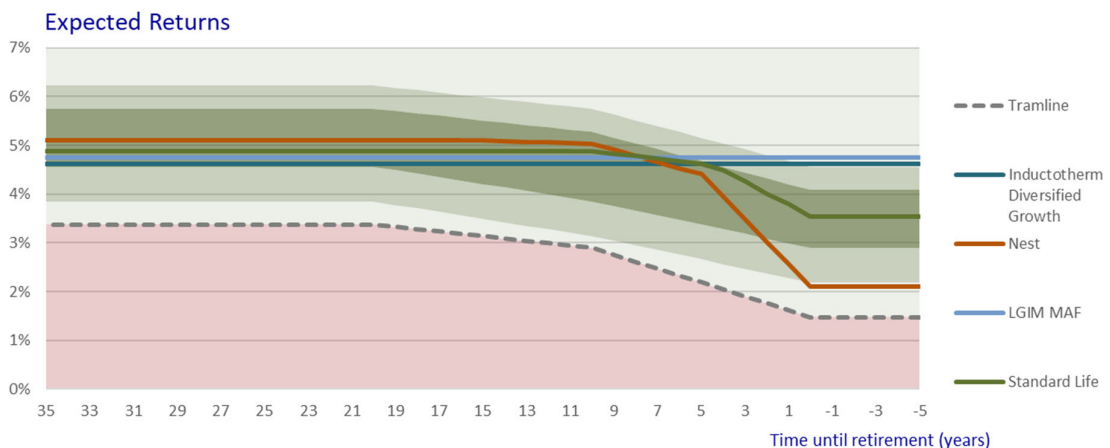
Each chart is divided into red and green areas, the boundaries of which are set by different blends of Global Equity and Cash. The green areas represent where it is believed an appropriate default should fall, with darker green areas generally being more appropriate. If a strategy strays into the red area, this may be inappropriate and would merit further investigation to conclude if it was suitable for the membership.

The 5-year historic returns are considered below. These returns are gross of admin fees.



The strategy has not strayed into the red zone historically. The strategy has performed very similarly to the other single fund strategy, LGIM MAF. Where strategies have outperformed the Plan far from retirement, it is generally due to a higher equity content. The Trustees may consider increasing the equity content for members far from retirement.

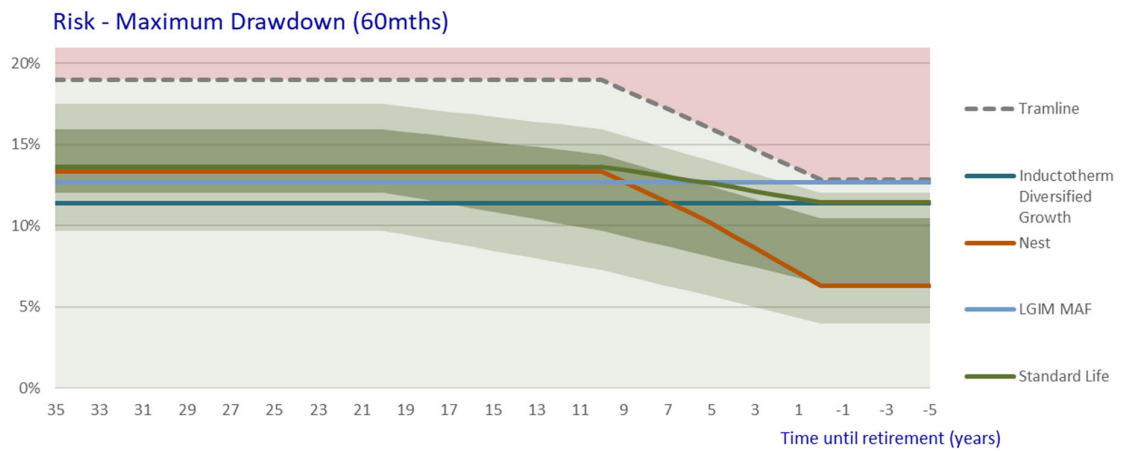
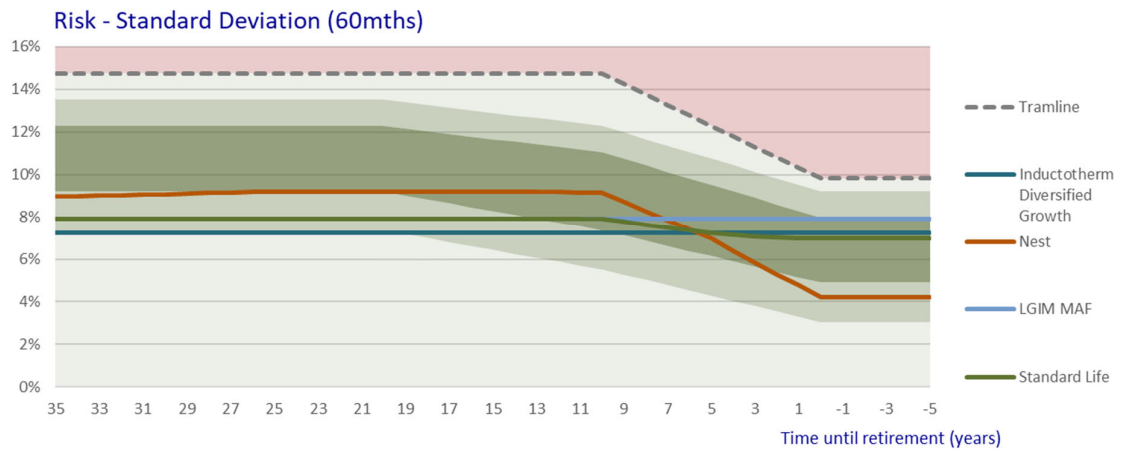
The expected returns were also assessed for suitability. The expected returns are based on long term expected return assumptions for the underlying asset classes. No adjustment was made for alpha or geographies.



The expected returns suggest that it is likely that the Plan's strategy will perform more in line with the comparators over the long term. It is likely, therefore, that some of the recent relative underperformance can be attributed to regional and factor tilts not paring off.

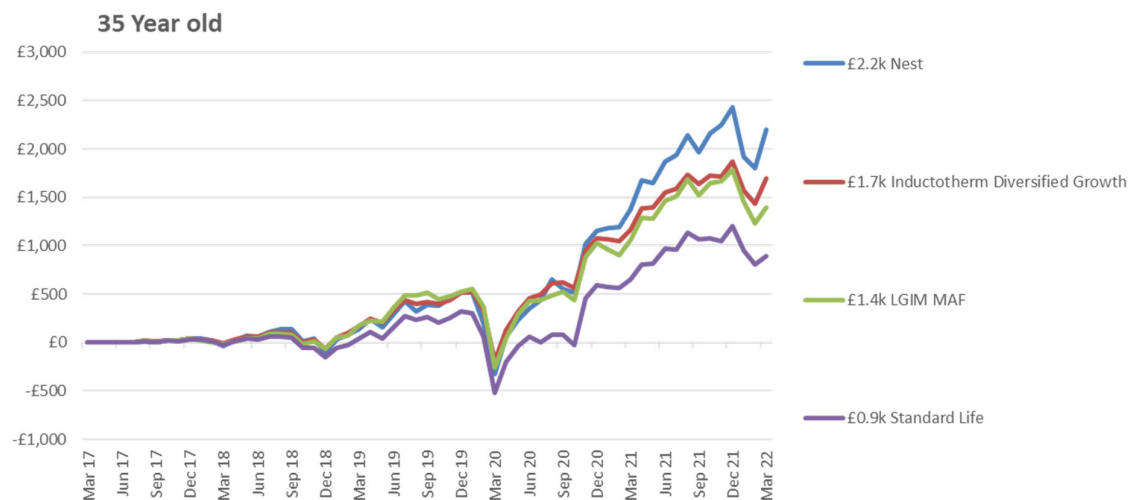
Two measures of risk were also examined, Standard deviation, which looks at the month to month volatility of returns, and maximum drawdown, which measures the largest peak to trough fall over the 5 year period.



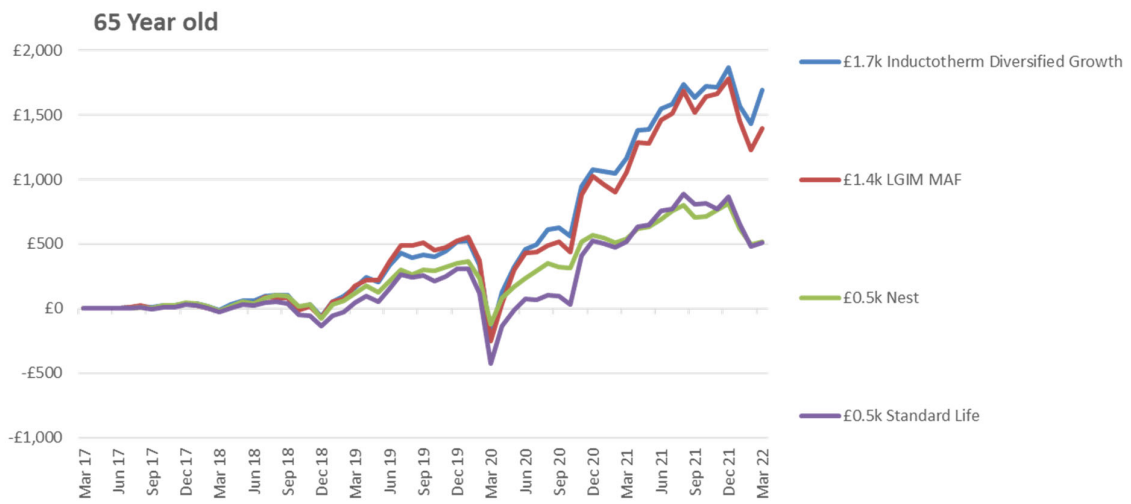
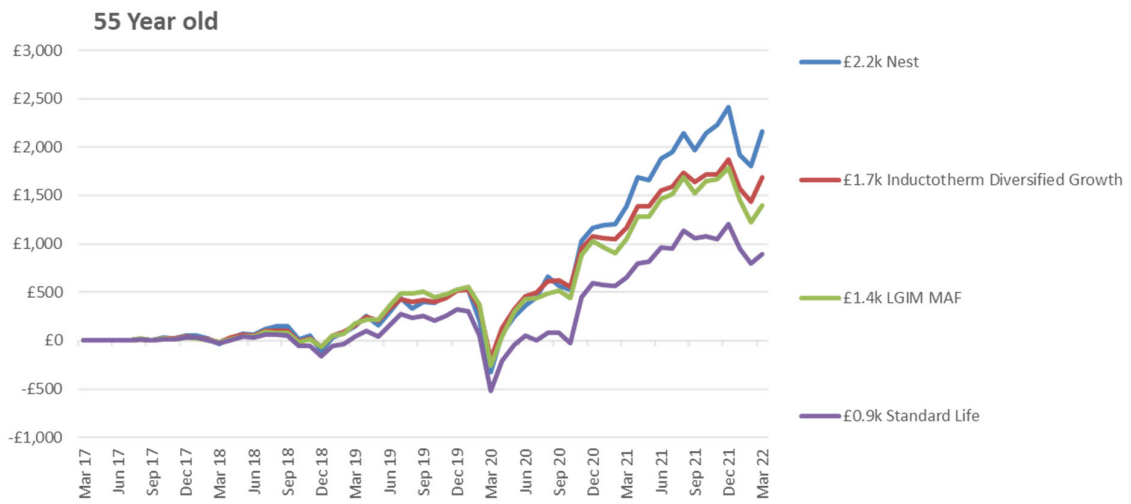


The Plan’s strategy has controlled both measures of risk well compared to its comparators, the lowest level of risk far from retirement in both measures and still reasonably controlled risk at the point of retirement.

A look at the effect of £10,000 invested over 5-years was also undertaken. The charts below track how much more or less money would be in a member’s pot than the initial £10,000 invested. Consideration was given to a member who at the end of the period is 35 years old, one who becomes 55 years old and one who becomes 65 years old. These returns are net of admin fees. It is important to remember that historic returns are not a guarantee of future returns.







The Plan performs well in the group across all age ranges, consistently in second place.



## Trustees' Overall Assessment of the Default Funds:

The strategy has performed reasonably, and where there has been recent relative underperformance this can be explained by geographical and factor allocations. The last 5 years have been largely dominated by large US growth stocks and the more a strategy was invested in these the better it generally did. Over the long term it is expected diversification will pay off and the Plan Default Funds will perform better, though an element of lifestyling may be beneficial.

### Self-Select Funds

An assessment of the returns and risk in relation to the self-select funds was also made.

#### UK Equity

	1 Year		3 Year		5 Year	
	Return	Risk	Return	Risk	Return	Risk
<b>L&amp;G Life UK Equity Index Fund</b>	18.40%	7.65%	8.42%	15.81%	5.56%	13.71%
<b>Nest Higher Risk</b>	16.12%	5.32%	14.50%	12.23%	9.53%	11.02%
<b>Standard Life UK Equity</b>	17.76%	7.65%	7.78%	15.81%	4.92%	13.71%
<b>LGMT UK Equity Index</b>	18.40%	7.65%	8.42%	15.81%	5.56%	13.71%

As the strategy is passive, performance has been in line with the index, the comparatively low fees of the Plan therefore make the value relatively good.

#### Global Equity Fixed Weight

	1 Year		3 Year		5 Year	
	Return	Risk	Return	Risk	Return	Risk
<b>L&amp;G Life Global Equity FW 50:50 Index</b>	11.29%	7.32%	9.01%	14.07%	7.28%	12.33%
<b>Nest Higher Risk</b>	9.92%	8.42%	10.52%	12.55%	8.07%	11.33%
<b>Standard Life 50:50</b>	10.65%	7.32%	8.37%	14.07%	6.64%	12.33%
<b>LGMT World (Ex-UK) Equity Index</b>	14.41%	11.04%	15.05%	14.16%	11.70%	12.77%

The strategy is passive, and performance has been in line with the index. Therefore, the comparatively low fees of the Plan make the value relatively good. Where the strategy has been outperformed this is largely due to a lower UK weighting in the comparator, as the UK has underperformed global markets in recent years.

### Trustees' Assessment

We believe there is good evidence to suggest that the Plan represents good value for members and that members are well served being in the Plan from an investment perspective. As the employer covers the admin costs of the Plan, members only face investment costs which means they are likely to face lower costs within the Plan than they would elsewhere.



## 8. GOVERNANCE AND ADMINISTRATION OF THE PLAN

### Promptness and accuracy of core financial transactions

The Trustees employ an external specialist company of pension administrators, Cartwright Benefit Consultants Ltd, to provide the core financial transactions for the Plan.

“Core financial transactions” include (but are not limited to):

- investment of employee/employer contributions in the Plan;  
(Employer contributions, Salary Sacrifice contributions, AVC Salary Sacrifice contributions, Employee contributions and AVC contributions);
- transfers of assets relating to members into and out of the Plan;
- transfers of assets relating to members between different investment funds within the Plan (switching investments);
- payments from the Plan to, or in respect of, members (refunds, PCLS, UFPLS, purchase of annuities).

There is a dedicated pension administration team for the Plan.

The Plan’s administration team has internal service level standards (“SLAs”) in place, which cover the accuracy, timeliness and volume of all core financial transactions, which are monitored and reported to the Trustees on a quarterly basis.

The service level standards cover, timescales for ensuring for example, when all contribution data is validated, the investment instructions are authorised and contributions are invested within 5 working days, the switch and allocation of investments on a member’s record is processed within 4 working days, a member retirement quotation is processed within 10 working days.

Whether all contributions have been paid to the Plan by 19th of the month following the collection of contributions and details the date the contributions are received and sent to the investment manager is reported to the Trustees.

Two administrators are involved in the processing of all financial transactions to ensure each fund holding agrees. Unit reconciliations between the member units held on the member’s record on the administration system and those held by the investment managers are undertaken on a monthly basis.

Ongoing, a quarterly administration report is provided to the Trustees to verify and satisfy themselves that the administrative services are of a high standard, that the administrator is operating good procedures and controls within the service levels and that all core financial transactions have been processed promptly and accurately during the Plan year.

The report details:

- Membership movement and statistics.
- Type of processing activity.
- Service levels and work volumes for each activity type, the number of activities processed and the service level met in relation to each activity.
- The service levels achieved in that particular quarter for each activity compared to the previous three quarters.
- Members’ feedback on their experience of the service they have received, together with any comments.
- Details of the date the contributions are received and the date they are invested every month.

Additionally, all underlying administrator processes are subject to annual audit by an external independent auditor, based on the framework set out in the technical release AAF 01/20, issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales.



The latest AAF 01/20 report issued to the Trustee covered the period 1 July 2020 to 30 June 2021; the independent auditors tested 123 control activities and identified no exceptions during this period.

## Quality of record keeping

### Security of Data

All Plan data is processed in accordance with the requirements of the Data Protection Act 2018.

The Trustees have a Data Protection Policy in place for the Plan and all members receive a Privacy Notice to cover the processing of their data.

The Trustees ensure that the policy and its compliance with the Data Protection Act 2018 are reviewed each time a new third party adviser is appointed to provide services to the Plan, or in the event that a new system is adopted.

The review of the policy is included in the Trustees' risk register and Plan's Business Plan.

The policy, and processing activities, business plan and risk register are reviewed by the Trustees annually and following any material changes that may impact the processing of the Personal Data for which they are responsible and any material change to legislation or guidance.

### Accuracy and scope of records/data kept

The accuracy of member data is regularly reviewed and the Trustees are holding all the data necessary required by law and in order to process the member investments under the Plan and pay benefits.

Records of all financial transaction are recorded and Trustees' meeting minutes and DC Governance meeting minutes are maintained.

Unit reconciliations take place between the Plan member records and the investment manager's holdings on a monthly basis.

The Trustees report common and scheme specific data scores to the Pensions Regulator via the Plan return.

### Review of data

The accuracy and quality of member data is reviewed regularly in accordance with the Pensions Regulator's requirements.

### Appropriateness of the default investment strategy

The Trustees are responsible for the Plan's investment governance which includes setting and monitoring the investment strategy for the Plan's default funds/arrangements. Details and objectives of the Trustees' policies regarding the default funds/arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"), which is attached to this document.

The Trustees, with the assistance of their professional advisers, designed the default investment strategy and selected asset allocation and investment funds to meet the needs of the members and the demographic member profile.



The Trustees have taken into account the pension flexibilities introduced by the government in 2015 which provide members with a wider range of options at retirement than in the past, and have looked at how members make use of the options available to them, as well as fund performance and broader industry experience. The strategy also takes into account finance industry regulators' expectations of Trustees in these matters.

The funds allow for continued investment growth to retirement/at and beyond retirement, but at the same time providing stability against fluctuations in the value of the most volatile investments by investing across a range of asset types.

If members wish to invest in funds weighted more heavily towards Environmental and Social Governance (ESG) they have the opportunity to self-select from a range of alternative funds.

The Trustees regularly review the performance of the default strategy arrangement and will formally review this strategy at least every three years. The next review is intended to take place before 31 March 2023 or immediately following any significant change in investment policy, Plan structure or the Plan's membership profile.

## Quality of investment governance

The Trustees are responsible for securing the proper management of the Plan's assets, and understand that expert and robust investment governance is crucial.

The Trustees employ investment managers who invest the assets of the Plan, and also a dedicated team of investment consultants and other professional pension advisers. These individuals have the required knowledge and expertise to perform their roles competently in accordance with sections 34 and 36 of the Pensions Act 1995.

The Trustees meet with their advisers and monitor their performance and the performance of the funds which have been selected for the Plan's default and self-select investment strategies.

The Trustees have documented and robust investment governance procedures in place to which they adhere and a clear investment strategy which has been based on their knowledge of the investment markets and the Plan's membership demographic and requirements.

There is a Defined Contribution Governance Committee who undertake additional work on behalf of the Trustees and report back to them, with particular oversight on member views.

Any investment decisions are made by the whole Trustee Board after taking the appropriate advice and recommendations from the investment professionals they employ, and are minuted accordingly.

The Plan's investment strategies are reviewed at least every three years.

Full details of the Trustees' investment strategy can be found in the Statement of Investment Principles attached.

The Trustees have oversight of all member communications, particularly when there is a change in investment strategies. They keep members informed about their investments and options by providing annual benefit statements and regular newsletters. Members also have on-line access to review their investments, benefit statements, the facility to switch funds, and undertake 'what if' benefit calculations.

## Trustee knowledge and understanding

The Trustees hold bi-annual meetings to discuss the investments, administration, governance and management of the Plan. The meetings are minuted and full records are maintained of all decisions made.

The Trustees' own combined knowledge and understanding, together with the advice that is available to them without limit, enables them to properly exercise their functions as Trustees of the Plan.

The Trustees have diverse roles and skills, which they exercise at the Trustee Board meetings.



The Trustee Board comprises a Chair of Trustees who is a Solicitor and supported by a Trustee who is an accountant. This ensures that the Trustees bring relevant skills to the Trustee Board. Taking into account the knowledge and experience of the Trustees, with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers, the Trustees believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.

The Trustees have completed TPR's Skills Evaluation matrix, a gap analysis and have completed the TPR's trustee toolkit modules. A Plan training plan is in place which is reviewed and updated annually. In addition, all the Trustees are participating in an ongoing training programme and individual training is recorded on a Plan training log. This is designed to ensure knowledge is kept up-to-date. During the period covered by this statement wide-ranging training topics included the Plan's investments, industry experience of member investment choices and investment trends.

The Trustees have a Business Plan against which they evaluate their activities.

The focus for DC training in 2022/2023 will be ESG/Climate change, scheme consolidation and the TPR's new Code of Practice.

During the Plan Year, the Trustees have met the requirements of sections 247 and 249 of the 2004 Act (requirements for knowledge and understanding) by receiving training from their advisers as part of the normal course of business of trustee meetings. As a result, the Trustees consider they have a good working knowledge of the Plan's Trust Deed and Rules, SIP and documentation setting out the Plan's policies. The Trustees are also kept up-to-date with developments in pensions through briefings from its professional advisers.

The Trustees believe they have met the Pensions Regulator's trustee knowledge and understanding requirements (as set out under the TPR's Code of Practice) during the Plan Year.

The Trustee Board reviews the performance of all their advisers on a regular basis and is in regular discussion with the Employer regarding the Plan.

## Quality of communication with Plan members

The Plan administration is outsourced to a third party pension administration provider.

The communications to members are issued in accordance the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and meet the regulatory timeframes and all other regulatory and legislative requirements. Communications, include joining forms, Guides to the Plan, investment fund information and web links to other investment information – such as fees and transaction costs, investment option forms, switching investment forms, flexible benefit access packs, transfer packs, retirement packs.

Where appropriate and necessary, the communications include signposting to the Money and Pensions Service, Pension Wise, MoneyHelper, the Financial Conduct Authority, Prudential Regulation Authority, The Pensions Regulator, Action Fraud, the Pension Tracing Service.

All members with flexible benefits who are considering applying either:

- to transfer their flexible benefits to an alternative pension arrangement, or
- to start receiving their flexible benefits

are asked to obtain guidance from Pension Wise or opt out from doing so by completing a Pension Wise Appointment or Opt Out form. Records are kept of the decisions made and of any appointments made and attended by the membership.



The Trustees and the pension administrators have pledged to combat pension scams and undertake detailed analysis and robust checks of the member's financial advisers, the receiving scheme and the receiving scheme investments, to determine whether any red or amber flags are present before a transfer can proceed.

Members are issued with feedback forms to provide their feedback on the service they receive from the Plan administrator and their experience when they obtain ad-hoc benefit quotations, take their flexible benefits, transfer out or retire. The feedback the members provide is reported to the Trustees in the quarterly Administration Management Report issued.

Members are permitted to communicate by any medium that suits them including technological or digital platforms, provided the content of the communication meets with Data Protection and IT security requirements.

Members' Annual Benefit Statements clearly state that the Chair's Statement, the Statement of Investment Principles and the Implementation Statement can be viewed on-line and clearly detail the links to the publicly available websites.

## Management of conflicts of interest

The Trustees have a legal obligation to ensure the Plan is run properly, fairly and impartially and to exercise their powers in the best interests of the Plan members and other beneficiaries in accordance with the Plan's legal documentation.

The Trustees have a robust, fully documented Conflicts of Interest & Bribery and Corruption policy and procedures in place that identify, manage and monitor any conflicts of interest, and any inducements, gifts or entertainments should they occur.

Each member of the Trustee Board has completed a Declaration of Trustee Interests form declaring any personal or business interest which may impact or conflict with their responsibility as a Trustee and undertakes to advise their fellow Trustees of any significant new interest that may arise.

The Secretary to the Trustees keeps a conflicts of interest register to record and declare any interests. This register is discussed at every Trustee Board meeting and any conflicts arising are minuted. Any conflicted person would be asked to leave the meeting whilst a particular issue, where there is conflict, is dealt with.

Upon appointment of any new Trustees or other service providers this procedure is followed. The policy is reviewed no less frequently than every 3 years and forms part of the Plan's Business Plan.



## 9. OUTCOME OF THE VALUE FOR MEMBERS ASSESSMENT

The Trustees' VFM assessment has concluded that having compared three other comparator Plans with The Inductotherm Europe Limited Retirement Benefits Plan (1971) in relation to:

- costs and charges
- net fund investment performance, and
- governance and administration of the Plan,

overall the Plan provides very good value for the Plan members.

The Trustees do not therefore consider it is currently necessary to make any further improvement to the Plan, or to consider transferring the DC rights of their members into another Plan, or to wind up the Plan.

However, in accordance with the regulations and good Plan governance the Trustees will continue to monitor and review the Plan on an annual basis.

The rationale for this decision is detailed in this report, but a summary of the assessment is as follows:

### Costs and charges

On the basis of its assessment, the Trustees concluded that the costs and charges compare favourably with those of the comparators and the Plan remains good value for members for the following reasons:

- Members have access to most pension flexibilities (excluding Flexible Drawdown) directly, without needing to transfer out.
- Members can flexibly access their Defined Contribution Retirement Account funds by taking a single or multiple UFPLS.
- Members can take part or all of their benefits and continue contributing to the Plan beyond their Target Retirement Date/Normal Retirement Date (if in continued employment)
- Members can transfer-in benefits from alternative arrangements
- Members can pay Additional Voluntary Contributions
- Annuity broking is automatically offered free of charge to members.
- Communications from the Trustees are frequent and detailed.
- There is a wide range of investments with low investment charges.
- Members meet the costs of investment and transaction charges only, the company meets the cost of Plan administration charges.
- Members can switch their funds as frequently as they desire.
- As the Plan is a hybrid Plan, members with Defined Benefits (DB) can use their Defined Contribution Retirement Account to extinguish maximum Pension Commencement Lump Sum ('PCLS') first.

### Net Investment Returns

On the basis of their assessment, the Trustees concluded that the net asset returns of the Plan compare favourably with the three chosen comparators and that good value for members can be demonstrated.

### Governance and administration of the Plan Promptness and accuracy of core financial transactions

The Trustees have concluded that the administrators are providing a good service to the Plan membership and Trustee Board and provide good value for members under this measure for the following reasons:

- All transactions on time
- Contributions are invested by 19<sup>th</sup> of the following month.
- The third party administrators meet their SLA's in terms of the Services Agreement with the Trustees and payments in terms of regulatory disclosure requirements.





- Unit reconciliations between the member units held on the member’s record on the administration system and those held by the investment managers are undertaken on a monthly basis.
- In addition to the Plan being annually audited by Trustee appointed auditors, the processes and controls adopted in relation to the administration of the Plan and the administrators’ IT systems security are independently audited under the AAF 01/20 standards.

## Quality of record keeping

The Trustees have assessed the security, quality and accuracy of the Plan data and have determined that it is secure, of good quality and accurate and that they are providing good value for members under this measure.

The data scores reported in the Scheme Return to The Pensions Regulator are noted below. These data scores cover all membership:

Common data	95%
Scheme Specific data	68%

## Appropriateness of the default investment strategy

The Trustees have assessed the appropriateness of the Plan’s default investment strategy and have determined the strategy is clear and appropriate for each stage of the member’s journey to retirement.

Risk and return is properly considered and it is suitable for the investment objectives and the demographic profile of the Plan. The asset allocation and fund manager selection is assessed when the investment strategy is periodically reviewed.

The Trustees have determined that it is appropriate and they are providing good value for members under this measure.

## Quality of investment governance

The Trustees have assessed how they govern the Plan and have determined they meet all regulatory requirements, all processes policies and procedures are fully documented and it is well governed; therefore they are providing good value for members under this measure.

## Trustee knowledge and understanding

The Trustees have assessed their knowledge and understanding; they are seasoned professionals with a good level of pensions knowledge. They can evidence that they have completed TPR’s Skills Evaluation matrix, a gap analysis and have completed the TPR’s trustee toolkit modules. A Plan training plan is in place which is reviewed and updated annually. All the Trustees participate in an ongoing training programmes and individual training is recorded on a Plan training log. They are also kept up to date with changes in legislation by their professional advisers.

## Quality of communication with Plan members

The Trustees have assessed the Plan and member communications and have determined they are of a very high standard and provide good value for members.



## Effectiveness of management of conflicts of interest

The Trustees have assessed the effectiveness of their management of conflicts of interest and have determined they are providing good value for members under this measure.

Louise Ingmire

Chair of Trustees of The Inductotherm Europe Limited Retirement Benefits Plan (1971)

26 October 2022



## APPENDIX 1 – STATEMENT OF INVESTMENT PRINCIPLES

### THE INDUCTOTHERM EUROPE LIMITED RETIREMENT BENEFITS PLAN (1971) DEFINED CONTRIBUTION SECTION

#### STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

#### 1. INTRODUCTION

The Trustees of the Inductotherm Europe Limited Retirement Benefits Plan (1971) (the “Plan”) have adopted this Statement of Investment Principles (“the Statement”) to comply with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement replaces all previous Statements.

When making their investment decisions and reviewing this Statement, the Trustees obtained and considered the written advice of Cartwright Benefit Solutions Limited, whom the Trustees reasonably believe to be qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. Cartwright Benefit Solutions Limited is also authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustees.

Whilst the Trustees are solely responsible for the Plan’s investment strategy, the Trustees consulted Inductotherm Europe Limited (the “Employer”) on both the investment decisions taken by the Trustees and this Statement’s content.

The Plan has a Defined Benefit Section, a Defined Contribution Section, and legacy Additional Voluntary Contribution facilities. The Defined Contribution Section is discussed in this Statement. The Defined Benefit Section and the legacy Additional Voluntary Contribution arrangements are discussed in a separate Statement.

#### 2. INVESTMENT OBJECTIVES

The primary investment objective of the Trustees is to help to ensure that the Defined Contribution Section members of the Plan are able to retire on a reasonable level of pension taking into account the contributions paid into their individual accounts and the timescale over which those contributions were invested. Members will make individual choices about retirement, meaning the appropriate time horizon over which their retirement benefits are funded will vary from member to member. The Trustees have put in place investment options that they believe help members with these objectives.

#### 3. INVESTMENT STRATEGY

The Trustees will offer a sufficient range of funds to satisfy the risk and return requirements of most members.

The Trustees have in place a range of investment options that they believe can allow members to strike an appropriate balance between long-term needs for capital growth and shorter-term volatility of returns.

The Trustees have designed their own Diversified Growth Fund blending two funds in equal proportion in order to reduce the risk of an individual manager underperforming, and to benefit from the differing investment styles of each manager. The structure of the fund allows the Trustees to review and replace a manager who ceases to fulfil the Trustees’ objectives.



The Trustees will formally review the fund range offered from time-to-time to take into account changes in various considerations such as: the membership profile, legislation and regulations, and developments in investment products. The next review is expected no later than within 5 years.

#### **4. RISK MEASUREMENT AND MANAGEMENT**

The Trustees regularly review a wide range of risks to which the Defined Contribution Section is exposed and mitigate these risks where possible and practical to do so. The Trustees believe that the investment options offered to members provide adequate choice and diversification both within and across different asset classes.

The Trustees' policies on the key investment-related risks are as follows:

- **Active manager risk:** the Trustees recognise that the use of active management involves a risk that the assets do not achieve the expected return and potentially increases the governance requirements. For this reason two managers have been selected to form the default fund and regular monitoring reports are considered to monitor performance. In order to provide lower costs solutions and to ensure market returns the self-select funds include index tracking options.
- **Diversification:** in addition to diversifying across different risk factors, where appropriate, the Trustees also diversify across asset classes, and geographically. This helps to avoid excessive concentrations of risk. To achieve cost-effective diversification, the Plan's assets are all invested in pooled funds.
- **Liquidity:** the Trustees only offer fund options to members which are expected to be liquid, particularly under normal financial market conditions. This recognises that even though members may be long term investors, members may wish to switch investments or leave the Plan earlier than expected. The selection, retention, and realisation of investments within each investment fund is delegated to the relevant investment manager.
- **Security of assets:** The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles.
- **Regulatory:** the Plan's assets are invested on regulated markets.

#### **5. MONITORING THE INVESTMENT STRATEGY**

The Trustees will formally review and obtain written advice on the suitability of the investment strategy at least every 3 years. These reviews will include the ongoing suitability of the retention of the investment funds used. The Trustees will also regularly review the performance of the investment strategy, including each investment funds' performance against their benchmark index, and cash flows.

#### **6. FEE STRUCTURES**

The investment managers are each paid a percentage of the market value of the assets within their fund(s). The investment platform provider is paid a percentage of the assets on its platform. No additional performance fees are payable.

Some operational expenses are also incurred by each fund to cover administration, audit, legal and custodial costs, along with the transaction costs associated with the buying and selling of the underlying securities as the investment manager changes the constituents of the fund over time (particularly for actively managed funds).



The investment adviser is paid on a time-cost, fixed fee or other basis, as agreed from time-to-time between the Trustees and the investment adviser.

## **7. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ('ESG')**

The Trustees believe that their primary responsibility is to invest the Plan's assets for the longer-term financial best interests of the Plan's beneficiaries, as reflected by the Trustees' strategic investment objectives (including the Plan's investment time horizon). The Trustees believe that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Plan.

The Plan's investment funds are chosen to aim to achieve the Plan's strategic investment objectives, with consideration given to ESG factors over the Plan's investment time horizon when these fund choices are both made and reviewed from time-to-time. The Trustees are aware of and regularly monitor the Plan's investment time horizon. This means that the Trustees are able to take a long-term view of the Plan's investments when assessing managers' performance and/or asset allocation.

The Plan's investment funds are deliberately and consciously chosen to align with the Trustees' strategic investment policies and objectives, in particular the investment funds' asset class exposure(s), the balance between different asset classes (where appropriate) and expected return and risk. In addition, the fees applicable to the Plan's investment funds are taken into account to ensure that these are also consistent with the Trustees' investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.

A key element of the selection of the Plan's investment funds is the Trustees' assessment of the likelihood of each investment fund achieving its performance target on a medium/long term and sustainable basis. For actively managed funds this is in part based on each investment fund's ability to select investee companies, for both debt and equity, that are sustainable and will produce good medium/long term performance on financial measures.

The Trustees also believe that, in general, good long term performance on non-financial measures will support and contribute to good long term performance on financial measures.

An important part of each investment fund's ability to invest sustainably in this way is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance. The Trustees believe that active engagement with company management can often lead to better outcomes in the long term than simply excluding companies or sectors from portfolios.

The Trustees measure and monitor the performance versus target of all their investment funds on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered. The portfolio turnover costs will be part of the after fees fund performance and are therefore reflected in that figure.

The Trustees' intention is to appoint investment managers for the long term and avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustees believe that an investment fund can no longer achieve its performance target, and believe that it is in the Plan's best interests to make a change, they will do so.

Due to the Trustees' use of pooled investment funds, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are, ultimately, delegated to each investment manager and may differ depending on the objectives of each investment fund and the manager's own policies in this regard.



The Trustees periodically obtain and review the relevant ESG and Stewardship policy documents for each pooled investment fund in which they are invested. When relevant, the Trustees will challenge the investment manager on their policies. Should the Trustees be unsatisfied with the response, they will take the approach that is believed to be in the best interests of the Plan's beneficiaries, which could involve further engagement with the investment manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustees' expectations with regard to ESG and Stewardship policy.

When making investment decisions about the investment options to make available to members, the Trustees do not explicitly take into account the views of the Plan's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Plan's beneficiaries.

## **8. FUTURE REVIEW**

The Trustees will review this Statement at least every three years and without delay after any significant change in investment policy.

Any such review will be based on written investment advice from someone whom the Trustees reasonably believe to be qualified by his or her ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. The Employer will also be consulted.

Signed                      David Hitchiner Date 22 September 2020

**For and on behalf of the Trustees of the Inductotherm Europe Limited Retirement Benefits Plan (1971)**

