# CANOPIUS SERVICES LIMITED PENSION SCHEME NO. 2

## STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2020

### 1. INTRODUCTION

The Trustees of the Canopius Services Limited Pension Scheme No. 2 (the 'Scheme') 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 authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustees.

Whilst the Trustees are solely responsible for the Scheme's investment strategy, the Trustees consulted Canopius Services Limited (the 'Employer') on both the investment decisions taken by the Trustees and this Statement's content.

### 2. INVESTMENT OBJECTIVES

The primary investment objective of the Trustees is to help to ensure that the members of the Scheme 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. The Trustees have in place investment options that they believe can achieve this objective.

### 3. INVESTMENT STRATEGY

The Scheme is a money purchase occupational pension scheme (Scheme Registration No.: 00689190RV) and is fully insured with Friends Provident under the following references:

| Scheme | Policy | Investment Arrangements |
|---|---|---|
| Scheme No. 2 | Policy No. F24804 | AHP With-Profits |
| Scheme No. 2 | Policy No. F25520 | AHP With-Profits |
| Scheme No. 2 | Policy No. F45306 | A wider choice of investment funds available for self-selection |
| Scheme No. 2 | Policy No. 771793 | Phoenix Life With-Profits |

The Scheme was originally started with Friends Provident in 1991 (Policy No. F24804). Policy No. F25520 was introduced in 1992. These group policies were invested on behalf of members solely in the Friends Provident With-Profits fund with Guaranteed Annuity Rates ("GARs"). A separate arrangement (Policy No. F45306) was introduced to accept increases in contributions for scheme members and offer a wider investment choice for members and Policy No. 771793 (a with profits fund with Phoenix Life) were also later set up under the same Trust as Policy No. F24804 and Policy No. F25520.

The Policy No. F25520 and F24804 are now part of Aviva's Annual Premium Hypothesized Schemes (APH), following a rebranding in 2017. This arrangement also has GARs, which are dependent on the member's age and gender. The APH contract is invested in the Conventional with profit fund. With profits funds are a type of 'pooled investment' fund. This means that members pay into the fund along with other investors and the pool is typically invested in stocks and shares, equity and bonds and property over a set period of time.

Having considered the advice from their advisers at the time, the Trustees have decided to retain a wholly insured approach to investing the Scheme's assets, which means that the Trustees hold a qualifying group insurance policy in which member contributions are invested. The performance of each policy will be:

- Linked to the performance of a unit-linked fund or funds; or

- Linked to a unitised With-Profits policy; or
- Provided by investing in a With-Profits policy (commonly known as a “conventional With-Profits policy”).

The reasons for the Trustees choosing a wholly insured approach are:

- The security provided by the insurance company’s regulation by the Financial Services Authority and the Financial Services Compensation Scheme
- The expertise provided by the insurance company’s administration and investment management teams
- The economies of scale gained through investing in a packaged product with an insurance company.

**4. RISK MEASUREMENT AND MANAGEMENT**

The Trustees are aware of a range of risks inherent in investing the assets of the Scheme. 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:

- The value of policies may move due to falls in the underlying asset values, which may result in members’ retirement benefits falling immediately prior to retirement. The Trustees believe that the use of With-Profits can help address this risk

- The costs of purchasing annuities may increase as members approach retirement, reducing the level of retirement benefits members can purchase. The Trustees believe that the use of With-Profits together with Guaranteed Annuity Rates, where applicable, help address this risk

- The value of assets will need to keep pace with inflation to ensure there is no fall in the real value of members’ retirement benefits.

- The security of underlying assets is subject to the insurance company’s financial strength.

- The Scheme’s assets are invested on regulated markets.

**5. FEE STRUCTURES**

The investment manager is paid a percentage of the market value of the assets within each fund. 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.

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.

**6. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (‘ESG’)**

The Trustees believe that its primary responsibility is to invest the Scheme’s assets for the longer-term financial best interests of the Scheme’s beneficiaries, as reflected by the Trustees’ strategic investment objectives (including the Scheme’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 Scheme.

The Scheme's investment funds are chosen to aim to achieve the Scheme's strategic investment objectives, with consideration given to ESG factors over the Scheme'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 Scheme's investment time horizon, noting that members are likely to remain invested until they retire (or transfer out of the Scheme). In doing so they take account of the average age of members who are yet to retire and understand that there is a possibility of members continuing to invest after their retirement. The Trustees take a long-term view of the Scheme's investments when assessing managers' performance and/or asset allocation.

The Scheme's investment funds are deliberately and consciously chosen to align with the Scheme's 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 Scheme's investment funds are taken into account to ensure that these are also consistent with the Scheme's 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 Scheme'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, which 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 measure and monitor the performance versus the objective 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 believes that it is in the Scheme'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 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 its 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 Scheme'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.

The Trustees do not explicitly take into account the views of the Scheme'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 Scheme's beneficiaries.

**7. FUTURE REVIEW**

The Trustees will review this Statement at least once 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 ............................................. Date 29th September 2020

**For and on behalf of the Trustees of the Canopius Services Limited Pension Scheme No. 2**

Signed ............................................. Date 29th September 2020

Nigel Meyer
Director
Canopius Services Ltd

## APPENDIX - INVESTMENT ARRANGEMENTS

The values of the Scheme's fund holdings with both Aviva and Phoenix Life are shown below:

| Scheme allocation as at 31 March 2019 | | | |
|---|---|---|---|
| Policy | Fund | (£) | (%) |
| F24804 | Aviva With Profits | 6,044,993.94 | 47.1 |
| F25520 | Aviva With Profits | 167,919.40 | 1.3 |
| F45306 | AV FP With-Profits Sub-Fund (Main Series 24) | 6,360.55 | 0.0 |
| | AV FP With-Profits Sub-Fund (Main Series 4) | 269,066.28 | 2.1 |
| | Aviva Pension Cash FPP | 179,995.80 | 1.4 |
| | Aviva Pension European FPP | 335,188.52 | 2.6 |
| | Aviva Pension Fixed Interest FPP | 502,772.07 | 3.9 |
| | Aviva Pension Global Equity FPP | 366,238.73 | 2.9 |
| | Aviva Pension Index-Linked FPP | 62,438.20 | 0.5 |
| | Aviva Pension Managed FPP | 1,850,615.64 | 14.4 |
| | Aviva Pension Managed FPP | 101,810.85 | 0.8 |
| | Aviva Pension North American FPP | 474,115.88 | 3.7 |
| | Aviva Pension Pacific Basin FPP | 384,161.26 | 3.0 |
| | Aviva Pension Pre-retirement Fixed Interest FPP | 20,919.79 | 0.2 |
| | Aviva Pension Property FPP | 452,824.73 | 3.5 |
| | Aviva Pension Stewardship FPP | 301,219.18 | 2.3 |
| | Aviva Pension Stewardship Managed FPP | 527,548.05 | 4.1 |
| | Aviva Pension UK Equity FPP | 450,919.52 | 3.5 |
| | Aviva Pension UK Index Tracking FPP | 245,852.41 | 1.9 |
| 771793 | Phoenix Life* | 91,169.49 | 0.7 |
| | | **12,836,130.29** | **100.0** |

* Please note that this figure is the encashment value of the policy.