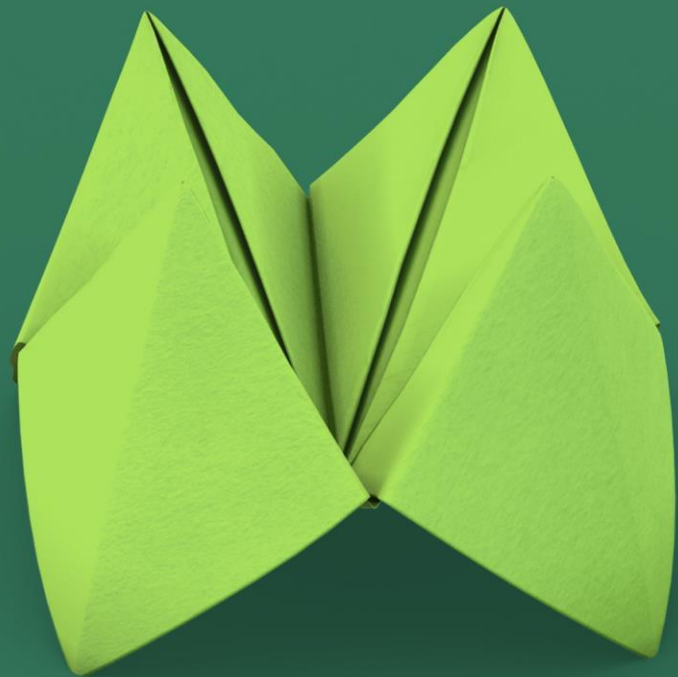


# Epson (UK) Limited Pension Scheme Statement of Investment Principles



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A better way

April 2024

This Statement of Investment Principles ("the Statement") has been commissioned by and addressed to the Trustee of the Epson (UK) Limited Pension Scheme ("the Scheme").

This document has been produced by the Trustee after taking advice from Lane Clark & Peacock LLP ("LCP").

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and as amended by subsequent regulations.

For the purposes of this report, Epson (UK) Limited is referred to as the "Company".

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Signatory of:



# 01 Introduction

This Statement sets out the principles governing decisions about investments for the Scheme and supersedes any previous Statements prepared by the Trustee.

In preparing this Statement, the Trustee has:

- Consulted with the Company, although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustee.
- Obtained and considered written professional advice and recommendations from LCP who is the Trustee's appointed investment consultant. LCP is authorised and regulated by the Financial Conduct Authority ("FCA"). It has confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Acts.
- The Trustee will review this Statement at least once every three years. If there are any significant changes in any of the areas covered by this Statement, the Trustee will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Company.
- The Scheme is a defined benefits ("DB") scheme. The Trustee's investment powers are set out in the Trust Deed and Rules and subsequent amending deeds. This Statement is consistent with those powers.
- This Statement reflects the current position of the Scheme.

This Statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates) and Scheme Funding legislation. The Myners principles are summarised in Appendix 1.

# 02 Investment Objectives

The Trustee’s overall investment policy is guided by the following objectives:

|  | <p>The Trustee’s primary investment objective for the Scheme is to provide retirement benefits and death benefits to eligible participants and beneficiaries as they fall due.</p>  |
|--|---|
|  | <p>The Trustee maintains a portfolio that consists of a bulk annuity insurance contract with Just Group plc. This covers all members of the Scheme and is intended to provide an income to the Scheme matching the pension payments due to the Scheme’s members. The Scheme also holds surplus cash above this insurance contract which is retained in the Trustee Bank account to meet ongoing expenses.</p> |
|  | <p>In setting the investment policy the Trustee has had regard to the influence this will have on ensuring that the Scheme’s fully funded position is maintained, therefore providing members with the highest probability of their benefits being paid both in full and on time.</p>   |

## 03 Investment Responsibilities

### THE TRUSTEE

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee. Therefore, the Trustee is responsible for setting the investment objectives and determining the strategy to achieve those objectives. It sets the overall investment target and then monitors the performance of its investment managers against the target. In doing so the Trustee considers the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.

Its duties and responsibilities include but are not limited to:

|  |  |
|--|--|
|  |  |
|  | Regular approval of this Statement and monitoring compliance with this Statement |
|  | Assessment of the investment risks run by the Scheme                             |

### INVESTMENT CONSULTANT'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed LCP as its investment consultant. LCP provides advice when the Trustee requires it and/or when LCP feels it suitable to do so.

It should be noted that the Trustee retains responsibility for all decisions.

Any services provided by LCP will be remunerated on either a time cost or fixed fee basis.

LCP does not receive any commission or any other payments in respect of the Scheme for investment services that will affect the impartiality of its advice.

The Trustee is satisfied that this is a suitable adviser compensation structure.

## 03 Investment Responsibilities

### **INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES**

The Trustee, after considering suitable advice, moved to a full buy-in arrangement, with Just Group Plc. The Trustee has delegated the responsibility for the investment of the Scheme assets to Just Group Plc.

## 04 Setting the Investment Strategy

### **INVESTMENT STRATEGY**

The Scheme's asset allocation consists of a single bulk annuity contract that matches the liabilities with Just Group Plc. The Scheme also holds some surplus cash beyond this bulk annuity, which is retained in the Trustee Bank account to meet ongoing expenses.

### **FINANCIALLY MATERIAL CONSIDERATIONS**

The Trustee has considered financially material factors such as environmental, social and governance ("ESG") and ethical issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes that it is investing in.

Whilst the Trustee considers that financially material considerations such as ESG issues and climate change factors are likely to have financial impacts on pension investments, in the context of the Scheme's investment in a single bulk annuity contract and limited cash held, the Trustee does not consider that these considerations would be material over the time horizon of the Scheme, but did consider these risks when selecting bulk annuity providers and appointing Just Group Plc.

### **NON-FINANCIALLY MATERIAL CONSIDERATIONS**

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

### **STEWARDSHIP**

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protects and enhances the long-term value of investments.

In the context of the Scheme's investment in a single bulk annuity contract and limited cash held, the Trustee does not consider that it is able to meaningfully undertake engagement activities or exercise any voting rights, but did consider stewardship capabilities when selecting bulk annuity providers and appointing Just Group Plc.



## **INVESTMENT MANAGERS' ARRANGEMENTS**

### **INCENTIVES TO ALIGN INVESTMENT MANAGERS INVESTMENT STRATEGY AND DECISIONS WITH THE TRUSTEE'S POLICIES**

The Trustee is required to include details of its manager alignment policies in this Statement or explain why it has not done so. The Trustee has not included details of its manager alignment policies in this Statement given the Scheme's investment in a single bulk annuity contract.

### **ADDITIONAL VOLUNTARY CONTRIBUTIONS ("AVCS") ARRANGEMENT**

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of AVC provider are included in Appendix 1 of this Statement. From time-to-time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

## 05 Risks

The Trustee is aware and seeks to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. Following the purchase of a full bulk annuity insurance contract covering all members, the Trustee recognises that the main risks retained in the Scheme are as follows:

### **Default Risk**

Following the move to a full buy-in, the default risk of the chosen insurer Just Group Plc.

The Trustee relies on the regulatory framework that Just Group Plc operates under to mitigate risk, governed by the Prudential Regulatory Authority (the regulatory capital requirements).

### **Eligibility Risk**

In the event of default by the insurer, the Scheme is expected to be eligible for compensation from the Financial Services Compensation Scheme ("FSCS"), up to the full value of the benefits insured, based on the current FSCS rules. The Trustee will monitor to ensure that the Scheme continues to meet these eligibility requirements.

### **Sponsor Risk**

This is assessed as the ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.

Although the Scheme should no longer be reliant on the Sponsor's covenant following the buy-in with Just Group Plc, the Trustee aims to convert the bulk annuity contract entered with Just Group Plc to a range of individual annuities directly between each member and Just Group Plc.

No specific timescale for this has yet been set.

## 06 Compliance

The Trustee confirms that it has received and considered written advice from LCP.

The Trustee confirms that it has consulted with the Company regarding its strategy. Copies of this Statement and any subsequent amendments will be made available to the Company, the Scheme actuary and the Scheme auditor upon request.

The Trustee will monitor compliance with this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

# Appendices

# Appendix 1

The Myners principles as applicable to DB schemes are set out below:

## Principle 1 – Effective Decision Making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

## Principle 2 – Clear Objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

## Principle 3 – Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

## Principle 4 – Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles (SIP). Trustees should report periodically to members on the discharge of such responsibilities.

## Principle 5 – Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate (e.g. Statement of Investment Principles as well as Statement of Funding Principles; websites/helplines (for larger schemes); and annual report and accounts).

## Principle 6 – Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate (e.g. Statement of Investment Principles as well as Statement of Funding Principles; websites/helplines (for larger schemes); and annual report and accounts).

# Dalriada. A better way

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