Chartered Institute of Procurement & Supply Pension Scheme

Statement of Investment Principles – February 2022

Introduction

The Trustee of the Chartered Institute of Procurement & Supply Pension Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement the Trustee has consulted the Chartered Institute of Procurement & Supply ("the Institute") on the Trustee's investment principles.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment consultants, Capita Employee Solutions, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustee is required to invest the Scheme's assets in the best interest of the members, and its main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- To ensure that sufficient liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Institute in relation to the size and volatility of the Institute's contribution requirements.

The Trustee understands, following discussions with the Institute, that it is willing to accept some degree of volatility in the Institute's contribution requirements in order to aim to reduce the long-term cost of the Scheme's benefits. The Trustee is comfortable that the covenant of the Employer is strong enough to support this approach.

Risk Management and Measurement

The Trustee is aware of and pays close attention to a range of risks inherent in investing the assets of the Scheme. The Trustee believes that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustee further believes that the currently agreed investment strategy is appropriate given the Scheme's liability profile. The Trustee's policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustee's principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.

- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The documents governing the managers' appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

- The Trustee recognises that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, it believes this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.

- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether the risk profile of the agreed investment strategy remains appropriate.

Investment Strategy

Given their investment objectives the Trustee has agreed to the asset allocation detailed in the table below. This asset allocation is in respect of the assets that are not held in annuity policies. The Trustee believes that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

	Strategic Asset Allocation %	**Control Limits (%) + / -**
Diversified Growth Funds	36.0	
Alternative Credit	10.0	
Total Return Seeking Assets	**46.0**	**5.0**
UK Corporate Bonds	30.2	
Liability Driven Investment (LDI)	23.8	
Total Matching Assets*	**54.0**	**5.0**

* The asset allocation within the matching asset portfolio will be adjusted to target a 100% hedge of funded liabilities (assets) and to maintain this ratio over time.

The Trustee will monitor the Scheme's actual asset allocation and may take action if it drifts too far outside of the strategic asset allocation and/or control limits. In this regard, the Trustee may take into account advice from the investment consultant prior to making any decision. The Trustee has also adopted a dynamic approach to asset allocation. They have set triggers to change the asset allocation if the funding level increases faster than expected. Further details can be found in the Appendix.

LDI Strategy

As LDI funds employ leverage, collateral calls for cash in order to decrease the level of leverage in the funds may be required (or there may be a release of cash in order to increase the leverage). The Trustee will seek investment advice if any cash call is received to ensure there is sufficient assets in the chosen fund as a regular disinvestment may be needed at the same time.

Expected Return

The Trustee expects the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustee expects to generate a return, over the long term, of circa 1.6% per annum (net of expenses) above a portfolio of long-dated UK Government bonds (which are considered to change in value in a similar way to the Scheme's liability value). This return is a "best estimate" of future long term expected returns that has been arrived at given the Scheme's longer term asset allocation and in the light of advice from the investment consultant.

The Trustee recognises that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustee on the basis of advice from the Scheme Actuary.

Platform Provider

The Trustee has selected Legal and General Investment Management (LGIM) ("the Platform Provider") to manage the majority of the assets of the Scheme. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets are delegated to the Platform Provider via a written agreement, including the realisation of investments.

Investment Mandates

The Trustee has selected Legal & General, Fidelity, BNY Mellon, Insight Investment, Schroders, PIMCO, and M&G ("the Investment Managers") to manage the assets of the Scheme through the Investment Platform. All Investment Managers are themselves regulated under the Financial Services and Markets Act 2000. The details of the Scheme's investment manager mandates are set out in the Appendix.

The Trustee has rolling contracts with its Investment Managers.

The Trustee monitors the performance of its Investment Managers on a quarterly basis. This monitoring is contained in a report provided by its advisors.

The Trustee has set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustee monitors the remuneration, including incentives, that is paid to its Investment Managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustee carries out on a regular basis, it should ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustee monitors the Investment Managers' process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond mainly accountancy measures. The Trustee considers if the Investment Managers are incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustee is conscious of whether the Investment Managers are incentivised by the agreement with the Trustee to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Investment Manager Philosophy and Engagement

The Trustee will monitor costs of buying, selling, lending and borrowing investments and will look to monitor the costs breakdown annually, as long as the investment managers provide these costs using the Cost Transparency Initiative template. The Trustee will also ensure that, where appropriate, its investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets then the Trustee will monitor compliance with these targets.

Environmental, Social and Governance ("ESG") Considerations

The Trustee believes that its main duty, reflected in its investment objectives, is to protect the financial interests of the Scheme's members. The Trustee believes that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of its investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustee forms a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The Trustee recognises that this is a DB scheme closed to new entrants with an ageing membership. Nevertheless, the Trustee believes that an appropriate time horizon for the Scheme could still be over 10 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustee has elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which it invests (especially where assets are managed passively). However, the Trustee will consider the manager policies in all future selections and will deepen its understanding of its existing manager policies by reviewing these at least annually. The Trustee will also seek to understand what other options might be available at its managers and in the wider market. In cases where it is dissatisfied with a managers' approach it will take this into account when reviewing them. It is also keen that all of its managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustee believes that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustee is keen that its managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. It will be liaising with its managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustee's behalf). The Trustee is also keen that its managers are signatories of the UK Stewardship Code. This is currently the case.

The Trustee will monitor the voting being carried out by its Investment Managers and custodians on its behalf. It will do this by receiving reports from its Investment Managers which should include details of any significant votes cast and proxy services that have been used.

The Trustee is aware that ESG and stewardship considerations involve an ongoing process of education for itself and engagement with its investment managers. To that end it dedicates time regularly to the discussion of this topic and intends to review and renew its approach periodically with the help of its investment consultants, where required. Consequently, the Trustee expects the Scheme's Investment Managers to have effective ESG policies (including the application of voting rights) in place and looks to discuss the Investment Managers' ESG policies with them when the managers attend Trustee meetings.

Non-financial matters, including members' views are currently not taken into account.

Additional Voluntary Contributions ("AVCs")

The Scheme provides a facility for members of the Scheme to pay AVCs held in policies of insurance with Phoenix Life (no longer accepting new contributions) and Clerical Medical.

The AVC arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and that the investment profile of the funds remains consistent with the objectives of the Trustee and needs of the members.

Compliance with Myners' Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance:

- Principle 1: Effective decision making
- Principle 2: Clear objectives
- Principle 3: Risk and liabilities
- Principle 4: Performance measurement
- Principle 5: Responsible ownership
- Principle 6: Transparency and Reporting

The Trustee believes the Scheme to be compliant with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustee believes this to be justified.

Employer-Related Investments

The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Platform Provider is paid a management fee on the basis of assets under management which includes the underlying investment managers' management fees.

The investment consultant is paid on a fixed fee basis with additional work undertaken on a project basis, which may be a fixed fee or based on time cost, as negotiated between the Trustee and Capita Employee Solutions in the interests of obtaining best value for the Scheme.

Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

The Trustee of the Chartered Institute of Procurement & Supply Pension Scheme

Appendix - Investment Mandates – Strategic Asset Allocation

The Trustee has appointed Legal & General, Fidelity, Insight, Schroders, PIMCO, M&G and BNY Mellon to manage the assets of the Scheme through the LGIM investment platform. The fund managers are regulated under the Financial Services and Markets Act 2000. Their mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation %	Control Limits % + / -
Return-seeking Asset Types				**46.0**	**5.0**
Diversified Growth	Insight	Broad Opportunities Fund	Active	12.0	
Diversified Growth	BNY Mellon	Real Return Fund	Active	12.0	
Diversified Growth	Schroders	Life Intermediated Diversified Growth Fund	Active	12.0	
Alternative Credit	M&G	Total Return Credit Investment Fund	Active	5.0	
Alternative Credit	PIMCO	GIS Income Fund	Active	5.0	
Matching Asset Types*				**54.0**	**5.0**
Corporate Bonds	Fidelity	Long Dated UK Corporate Bond Fund	Active	30.2	
LDI & Cash	LGIM	LGIM LDI Fund Range	Mechanistic	23.8	

* The asset allocation within the matching asset portfolio will be adjusted to target a 100% hedge of funded liabilities (assets) and to maintain this ratio over time.

Appendix – Governance Framework for Dynamic De-risking Implementation

Triggers (Required return above gilts p.a.)	Expected Return of Allocation (p.a.)	Diversified Growth %	Alternative Credit %	Corporate bonds* %	Gilts* %	Index Linked Gilts* %	LDI Real, Nominal& Cash* %
Proposed	1.60%	36.0	10.0	30.2	0.0	0.0	23.8
1.00%	1.25%	24.0	10.0	30.0	8.75	8.5	18.75
0.65%	0.90%	12.0	10.0	30.0	16.0	18.5	13.5
0.30%	0.55%	0.0	10.0	30.0	26.0	25.75	8.25
0.00%	0.25%	0.0	0.0	30.0	40.0	30.0	0.0

*As the Trustee de-risks the actual allocations to ensure that the hedging doesn't exceed 100% of the liabilities will change. The Trustee will work with Capita and LGIM at the time of any switch to agree the exact allocation to LDI funds. This may involve a short term move into a cash fund.