



# Statement of Investment Principles

## Otter Controls Limited Retirement Benefits Scheme

July 2025

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# 01 Introduction

## Purpose

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This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Otter Controls Limited Retirement Benefits Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

## Scheme details

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The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

The Scheme Actuary is David Hallam FIA of Isio, and the Investment Adviser is XPS Investment (collectively termed 'the Advisers').

## Advice and consultation

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Before preparing this Statement, the Trustee has sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

## Investment powers

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The Scheme's Trust Deed and Rules set out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustee's investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

## Review of the Statement

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The Trustee will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustee will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

# 02 Definitions

## Definitions

Capitalised terms in this document mean the following:

**Act** - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

**AVCs** - Additional Voluntary Contributions;

**Buy-in** - An insurance policy that covers some or all of a pension Scheme's liabilities and removes the risk that the Scheme cannot pay the future benefits covered by the policy;

**Buy-out** - An insurance policy that is purchased which covers all of the Scheme's liabilities, and assigns these to individual members thus completely removing the risk and liability from the Trustee and Sponsoring employer;

**Insurance Providers** - Utmost Life & Pensions Limited, Aviva Life & Pensions UK Limited, Canada Life, Legal & General Assurance, Prudential Assurance Company, ReAssure, Rothesay;

**Investment Manager** – An organisation appointed by the Trustee to manage investments on behalf of the Scheme;

**Principal Employer** – Otter Controls Limited;

**Recovery Plan** - The agreement between the Trustee and the Principal Employer to address the funding deficit;

**Scheme** – Otter Controls Limited Retirement Benefits Scheme

**Statement** - This document, including any appendices, which is the Trustee's Statement of Investment Principles;

**Technical Provisions** - The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

**Trust Deed and Rules** - The Scheme's Trust Deed and Rules, as subsequently amended;

**Trustee** – The collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme.

# 03 Strategic investment policy and objectives

## Choosing investments

The Trustee has selected buy-in policies through which benefits due under the Scheme are secured. The selection of the buy-in policies was made having taken written investment advice. The advice covered the suitability of the insurance policy, whether there was any need for diversification given Scheme circumstances and the principles within this Statement.

The Trustee's policy is to regularly review the other investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

## Long-term objectives

The primary investment objective of the Trustee is to seek to ensure the Scheme is able to meet the benefit payments promised as and when they fall due from a combination of investment returns and planned contributions.

Having regard to the primary investment objective and subject to the strength of the employer covenant, the Trustee will seek to limit the risk of the assets failing to meet the liabilities of the Scheme as and when they fall due, both over the short term and longer-term basis.

The Trustee looks to achieve this objective by insuring the liabilities via an insurance buy-in policy and the expectation is that the Scheme will complete a full buy-out in due course.

## Expected return

By securing benefits through the buy-in policies, the Trustee expects that the change in value of the insurance

policy will match the change in value of the benefits due under the Scheme.

Assets in excess of the insurance policy are invested in a low risk way with a main aim of capital preservation.

## Investment Policy

Following advice from the Investment Consultant, the Trustee has set the investment policy to secure the scheme's liabilities with an insurance buy-in policy.

This resulted in the Trustee completing a buy-in of the Scheme's remaining uninsured liabilities with an Insurance Provider in June 2025.

The residual invested assets are held with Mobius Life, predominantly in cash and money market instruments designed to preserve capital whilst accruing a competitive low risk return.

## Range of assets

The majority of the Scheme's assets are buy-in policies. The Trustee has no direct influence on the range of assets which support the payments due under the policy. The Insurance Providers will invest in an appropriate range of assets in line with the risk profile of their annuity business and the regulatory and capital regime they are required to comply with. Although there is a concentration of assets in the buy-in arrangements, the Trustee deems this concentration appropriate as it closely matches the objective of the Scheme.

The Trustee considers the arrangement with the Insurance Providers to be aligned with the Scheme's overall strategic objectives. The Insurance Providers are incentivised to perform in line with expectations for their specific mandate to enable the Insurance Providers to meet all of the benefits insured and comply with regulatory and capital requirements.

The Trustee encourages the Insurance Providers to make decisions in the long-term interests of the Scheme.

# 04 Responsible investment

The Trustee has considered their approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan’s Insurance Providers.

The majority of the Scheme’s assets have been used to purchase a buy-in policy. The Trustee has no direct influence on the range of assets which support payments due under the policy.

The Trustee expects that the Insurance Providers will use their influence as a major institutional investor in exercising its rights and duties as a shareholder, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

Assets in excess of the insurance policy are invested via pooled funds in a range of cash and money market instruments, well diversified across counterparties to minimise counterparty risk.

# 05 Risk measurement and management

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee measures and manages these risks as follows:

**Solvency risk and mismatching risk** - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position is addressed through the purchase of a buy-in policy which is expected to match the payments of the benefits due.

**Liquidity risk** - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustee cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustee's policy on realisation of assets (see below).

**Inappropriate investments** - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on the range of assets in which the Scheme can invest (see section 6).

**Counterparty risk** - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through Investment Manager and Insurer guidelines with respect to cash and counterparty management. In respect of the Buy-in contract, this risk has been mitigated by the Trustee taking advice on the insurer's covenant. In addition, the Financial Services Compensation Scheme provides an extra level of security should the insurer fail.

**Political risk** - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

**Custodian risk** - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In an insurance contract, this is invariably delegated to the Insurance Providers.

**Fraud/Dishonesty** - The risk that the Scheme's assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

**Currency risk** – The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

**ESG risk** – The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives is addressed, to the extent that it is possible, by delegating to the Investment Managers. Further detail is provided in this Statement.

# 06 Realisation of assets and investment restrictions

## Realisation of investments

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In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustee has considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustee believes that the Scheme currently holds an acceptable level of readily realisable assets, both in the Trustee bank account and in pooled liquidity funds with Mobius life. The Trustee will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

The Trustee will hold cash to the extent that it considers necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

The Scheme has secured buy-in insurance policies with the Insurance Providers which provide payments meeting the benefits due.

## Investment restrictions

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Following the implementation of the Scheme's buy-in policy, any surplus assets are currently invested in cash and money market instruments. The Trustees will consider other low risk investment options should they believe this is necessary for diversification or liquidity purposes, but there are no other investment restrictions in place.

# 07 Investment Manager Arrangements and fee structure

## Delegation to Investment Manager(s)

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The Trustee has purchased insurance policies with the Insurance Providers with the intention of buying-out the Scheme's liabilities. The annuity policy is intended to be in place in the long term to meet all of the benefits payable to members. In addition, surplus assets are invested in money markets assets via an investment manager's pooled fund (also via a "life" insurance policy).

The Insurance Providers are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

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Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

## Performance objectives

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The Scheme's purchased insurance policies that are designed to entirely cover its liabilities do not have any asset performance objectives in place.

The Scheme's assets invested in cash and money market instruments are expected to deliver a competitive return in line with SONIA.

## Review process

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There no longer exists a formal review process for the insurance policy, however the Trustees will monitor the cash fund to ensure it continues to deliver a competitive return.

## Insurance provider's' fee structure

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The Insurance Providers' fees are met through a combination of some or all of the following:

- > A margin added to the cost of securing the benefits which reflects the charges paid to the Insurance Provider.
- > Any excess of assets over Scheme benefits paid out, throughout the life of the policy.

## Portfolio turnover

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Given that the Trustee has secured buy-in policies, the portfolio turnover on the underlying assets and costs is a matter for the Insurance Providers.

Turnover in the cash fund is not expected to give rise to any material costs to the Trustee.

## Investment Consultant's' fee structure

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The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee in undertaking their responsibilities.

# 08 Compliance Statement

## Confirmation of advice

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Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension plan, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such Plans.

The Investment Consultant, XPS Investment Limited, hereby confirms to the Trustee that advice on this SIP has been provided by a person with the appropriate knowledge and experience to give the advice required by the Act.

## Trustee's declaration

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The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy it has decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustee:



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Date:

21 October 2025

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