



Colt Car Company Limited Retirement Benefits Scheme Implementation Report

May 2024

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Document classification: Public

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance ('ESG') factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles ('SIP') and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles

The Trustee of the Colt Car Company Limited Retirement Benefits Scheme ('the Scheme') updated the SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at [this](#) web address. Changes to the SIP are detailed on page 5 of the Implementation Report.

Implementation Report

This implementation report is to provide evidence that the Trustee of the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in the SIP
- the current policy and approach with regards to ESG
- the extent to which the Trustee has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- During the Scheme year, the Trustee entered a written contract with an insurance provider, Just Retirement Limited, to secure all remaining member benefits. Any residual cash is being held within a Cash Fund managed by Legal & General Investment Management Limited ('LGIM') or the Trustee Bank Account to meet future expenditure.

Implementation Statement

This report demonstrates that the Colt Car Company Limited Retirement Benefits Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed:

Position: Trustee

Date: 2.5.24

Managing risks and policy actions

Risk	Definition	Policy	Action
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.	The Trustee considered this risk when deciding which insurer to use to transact the buy-in policy.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	Funding risk is considered as part of the investment strategy review and the actuarial valuation.	The Trustee has fully insured the Scheme's liabilities via buy-in policies.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	The nature of the buy-in policies largely mitigates against the impact of a change in the Sponsor covenant; however, reliance will only be removed entirely when the Scheme transitions to buy-out.	
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	Mitigated by insuring member benefits via buy-in policies.	
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	Mitigated by insuring member benefits via buy-in policies.	Residual assets are held in a liquid cash fund to meet future expenditures as required.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	Mitigated by insuring member benefits via buy-in policies.	
Credit	Default on payments due as part of a financial security contract.	Mitigated by insuring member benefits via buy-in policies.	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Mitigated by insuring member benefits via buy-in policies.	
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	No longer applicable given the liabilities are insured via the buy-in policies.	

Changes to the SIP

Policies added to the SIP

Date updated: January 2024

During the Scheme year, the Trustee entered a written contract with an insurance provider, Just Retirement Limited, to secure all remaining member benefits. The SIP has therefore been updated to reflect this change in strategy and to note the approach for investing any residual cash.

Implementation

The Trustee has delegated all day-to-day decisions about the operations that fall within the mandate to the insurers through a written contract. When choosing investments, the Trustee, investment managers and insurers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The investment managers and insurers' duties include voting and corporate governance in relation to the assets.

Stewardship – voting and engagement

As part of the management of the Scheme's assets, the Trustee expects the insurers to ensure that (where appropriate) it exercises the Trustee's voting rights in relation to the Scheme's assets.

Current ESG policy and approach

ESG as a financially material risk

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments.

The Trustee has fully insured the Scheme's liabilities via insurance policies.

The Trustee expects the insurers to:

- Where relevant, assess the integration of ESG factors in the investment process; and
- Use its influence to engage to ensure the Scheme's assets are not exposed to undue risk.


Engagement

As the Scheme invests residual cash via an investment manager, the manager provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2024. LGIM are unable to provide examples of significant engagements over the period.

Fund name	Engagement summary	Comments
LGIM Cash Fund	Total engagements: 12 Environmental: 8 Governance: 3 Other: 1	LGIM leverages its scale and influence to engage with companies and policymakers globally, with the aim of improving market ESG standards and best practices.

Voting

The Scheme did not have any equity holdings as at 31 March 2024.



This report has been prepared for the sole benefit of the Trustee of the Colt Car Company Limited Retirement Benefits Scheme and based on their specific facts and circumstances and pursuant to the terms of Isio Group/Isio Services Ltd's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group/Isio Services Ltd accepts no responsibility or liability to that party in connection with the Services.