Renishaw Pension Fund

Annual Implementation Statement for the Year Ended 30 September 2022 .

1. Introduction

This Annual Implementation Statement ("the Statement") sets out how, and the extent to which, the Trustees ("the Trustee") of the Renishaw Pension Fund ("the Fund") have implemented the matters in the Statement of Investment Principles ("SIP") during the year to 30 September 2022 (the "Fund Year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

This statement also includes a summary of the voting activity that was carried out on behalf of the Trustee over the Fund year by BlackRock.

2. Statement of Investment Principles

2.1. Investment Objectives of the Fund

The investment policy is set according to the investment objectives of the Fund, identified and set out in the SIP. The investment objectives express the preferred balance between the desire for maximising the potential for future returns and tolerance to risk. In general terms, for the investment policy to have the potential for strong future returns relative to the Fund's liabilities (as has been the case historically), the Trustee must be prepared to accept the risk of poor future returns. The scope for the Trustees to accept such risk depends heavily upon the sponsoring Company's capacity and willingness to provide additional funding should future investment experience be poor.

The Trustee carry out regular monitoring of the strength of the Company and its risk capacity and have concluded that it is at present, and for the medium-term, substantial. The Trustees have been able to conclude that the Company's commitment to the Fund is sufficiently strong that a relatively high risk investment strategy can be pursued with the aim of providing potential for high future returns. Over the year, funding experience has been positive and that has facilitated changes to reduce risk in the investment strategy, which have been completed post accounting year-end and will be reported on in more detail as part of next year's statement.

The Trustee recognise that the Fund is closed to future service accrual (with effective date of 6 April 2007). As such, the Fund is expected to mature over the coming years. To reflect this, the Trustee have discussed and implemented de-risking of the investment strategy of the Fund where appropriate.

2.2. Review of the SIP

Following an update to the Fund's SIP in January 2022 to reflect changes made to the Fund's investment strategy (particularly the introduction of the new Multi-Asset Credit mandate managed by NinetyOne), no further changes were made to the SIP and this is the latest version of the SIP. Further investment strategy changes have been implemented since the end of the accounting year, and so the SIP will be updated shortly to reflect these changes.

Assessment of how the policies in the SIP have been followed for the year to 30 September 2022

The information provided in the following section highlights the work undertaken by the Trustee during the year, and over the longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the year to 30 September 2022.

Strategic Asset Allocation

Requirement	Policy	How the policy has been met over the year to 30 September 2022
Kind and balance of investments to be held	The Trustee regards the choice of asset allocation policy as the decision which has most influence on the likelihood that they will achieve their investment objectives. In deciding the asset allocation strategy, the Trustees have taken advice from Mercer and made their decisions in consultation with the Company. The Trustees are satisfied that the spread of assets provides adequate diversification of investment for risk purposes. The Fund's investment strategy is primarily invested with BlackRock, comprising a portfolio of equities, diversified growth, index-linked gilts, UK corporate bonds and LDI funds. There is no rebalancing between the portfolios as at the end of the accounting year. There is also an allocation to multi-asset credit ("MAC") mandate managed by Ninety One, which was implemented in October 2021 and documented in the updated SIP in January 2022. The money purchase transfer-in assets are invested with the DB assets.	Over the year, the Trustee funded the Ninety One MAC mandate, with an initial investment using available cash holdings. In making this change the Trustee considered the overall level of expected return and risk, and the views of the Company. The implementation of the Ninety One MAC mandate was concluded in October 2021. As at 30 September 2022, the Trustees were in the process of introducing an allocation to Liability Driven Investment ('LDI') funds into the strategy to provide the Fund with a degree of hedging against liability movements caused by changes in interest rates and inflation expectations. This was funded by a disinvestment from the diversified growth fund mandate, and a commensurate reduction in the strategic allocation. Due to significant gilt yield movements over September and October 2022, the funding position of the Fund improved materially and this led to the Trustee agreeing to further de-risk the strategy after the accounting year-end. In particular, the Trustee fully disinvested from the BlackRock UK Equity Fund, BlackRock World (ex-UK) Equity (GBP Hedged) Fund, BlackRock Global Equity (Fundamental Indexation) Fund and the BlackRock Diversified Growth Fund, investing the proceeds (c.£142.9m) into the BlackRock Index-Linked Gilt Fund in October 2022. The significant de-risking activity implemented post year-end was agreed after receiving advice from Mercer and after consulting the Company. Further information will be provided in the next annual report.
Risks, including the ways in which risks are to be measured and managed	The Trustee recognises risks (investment, operational and funding) arise from the investment of the DB investment strategy assets and money purchase transfer-in assets. The Trustee also carries out regular monitoring of the strength of the Company and its risk capacity and have concluded that it is at present, and for the medium-term, substantial. The Trustee's perception of the financial strength of the Company is considered in setting the investment strategy for the Fund. As the money purchase transfer in assets are invested with the DB assets, there is no separation, no individual pots, and no ring fencing. Therefore, the risks associated with the money purchase transfers in are similar to those of the DB assets. However, the Trustees recognise that the risks for the money purchase investments fall on the individual member to which they relate.	Over the year the Trustees reviewed the investment strategy and concluded that their strategy was in line with the Trustees' risk appetite, and that the Trustees continue to only take on those risks they expect to be rewarded for over time in the form of excess returns, and also taking into account the level of covenant support from the Company. As part of a review, the Trustees introduced an allocation to MAC in October 2021 through an investment in the Ninety One MAC Fund. This was in line with the Trustees' medium-term aspiration to gradually de-risk the investment strategy of the Fund. This was initially funded from available cash holdings, but a top-up investment was made to bring the allocation to 10% of assets as a result of the breach of a de-risking trigger as at 31 March 2022. In addition, the Trustees decided to further de-risk from growth assets due to continued improvement in the funding position over Q2 and Q3 2022, and introduced a LDI mandate managed by BlackRock into the investment strategy, to provide a degree of hedging against liability movements due to changes in interest rates and inflation. This introduces additional risk due to the use of derivative instruments (e.g. counterparty risk, collateral adequacy risk); this is mitigated by the limited exposure to leveraged LDI funds as at the year-end. The changes to investment strategy were concluded in October 2022. The SIP will be updated in early 2023 to reflect this. The Trustees did not consider reducing risk for money purchase members as they reach retirement, given that the assets are invested in line with the DB investment strategy.

Expected return on investments	The Fund's investment strategy has been structured so that the investments aim to generate the level of return required to meet the overall objectives. The Trustees have historically been able to conclude that the Company's commitment to the Fund is sufficiently strong that a relatively high risk investment strategy can be pursued with the aims of providing potential for high future returns, and reducing the funding deficit. In the case of active managers, a target has been agreed to exceed the relevant benchmark by a specific amount. It is recognised that over the short term, performance may deviate significantly from the long term target.	The BlackRock and Ninety One quarterly investment performance reports are reviewed at Trustees' meetings. The investment performance report includes an assessment of the investment manager's performance relative to their stated benchmarks and (where appropriate) their stated outperformance targets. Over the 3 years to 30 September 2022, the Fund has returned 9.7% p.a. on a net fees basis and over the 1 year period to 30 September 2022 the Fund has returned -9.9% p.a. on a net fees basis. The Trustees were satisfied with the performance of the Fund's investments. More recent performance has been considered in the context of the prevailing market environment, with negative returns on almost all asset classes over the accounting year under review.

Investment Mandates

Requirement	Policy	How the policy has been met over the year to 30 September 2022
Securing compliance with the legal requirements about choosing investments	The Trustees obtain advice from their investment adviser, who can provide expert advice enabling the Trustees to set an overall objective investment strategy and choose investment vehicles that can fulfil the Fund's investment objectives. In the Trustee's opinion this is consistent with the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent regulation.	Over the year, the Trustees received written advice from their investment adviser in relation to the suitability of an investment into LDI funds managed by BlackRock and associated de-risking of the strategy.
Realisation of investments	The Fund's investment manager has discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.	The Fund's assets are invested in pooled funds, which range from daily to monthly liquidity. The Trustees monitor the Fund's cashflow position on a regular basis to ensure there is sufficient liquidity within the Fund for payment of member benefits.
Financially material considerations and how those considerations are taken into account in the selection, retention and realisation of investments	The Trustee believes that environmental, social and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes. The Trustee's policy is to allow appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. All of the Fund's investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee considered how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers.	During the MAC manager selection exercise (completed in the prior accounting year), Ninety One's approach to ESG integration was discussed with the Trustee. The Ninety One MAC fund has achieved the highest rating (at the time of writing) awarded by Mercer's Manager Research Team within the MAC universe. The Trustee is satisfied with the approach taken by both Ninety One and BlackRock with regards to integrating ESG factors into the underlying portfolios. No investment restrictions relating to financially material considerations were set on BlackRock over the year.
The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	Member views are not taken into account in the selection, retention and realisation of investments.	No member views were taken into account over the year. No investment restrictions relating to non-financially material considerations were set on BlackRock over the year.

Monitoring the Investment Managers

Requirement	Policy	How the policy has been met over the year to 30 September 2022
Monitoring the investment manager	The Trustees meet the investment managers as necessary to review their actions together with the reasons for and background to the investment performance. Mercer is retained as investment consultants to assist the Trustee in fulfilling its responsibility for monitoring the managers, by alerting the Trustees to any significant developments at the manager.	Over the year, the Trustee reviewed the performance of BlackRock and Ninety One using their quarterly investment reports, with the assistance of Mercer. The Trustee has also met directly with BlackRock and Ninety One to receive regular updates. No issues were highlighted that required action.
Incentivising investment managers to align their investment strategy and decisions with Trustees' policies	The Trustee's approach to incentivising their investment managers is set out in the SIP. This includes their approach to: - Aligning investment manager investment strategy to the Trustee's policies - Aligning investment manager decision-making to the Trustee's policies - The method and time horizon for reviewing manager performance - Monitoring portfolio turnover costs - Duration of arrangements	Over the year, the Trustee reviewed the performance of BlackRock and Ninety One over short and long term time periods. No issues were highlighted that required action. The Trustee was comfortable that the objectives of the underlying BlackRock and Ninety One funds remain consistent with the Trustee's objectives for the Fund's investment strategy. The Trustee did not monitor portfolio turnover costs over the year. No manager appointments were terminated over the year.

ESG Stewardship, Climate Change and Voting Disclosures

Requirement	Policy	How the policy has been met over the year to 30 September 2022
Undertaking engagement activities in respect of the investments and the exercise of the rights (including voting rights) attaching to the investments	All of the Fund's investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.	As the Fund invests in pooled funds, the Trustee requires BlackRock and Ninety One to engage with investee companies on their behalf. Since voting rights can only be exercised on underlying equity holdings, no voting activity was undertaken by the corporate bond and LDI funds held by the Fund. BlackRock were asked by the Trustee to provide an annual voting summary report, the data from which is summarised below. The Trustee accepts that it is not practicable for the investment manager to vote in all circumstances. The Trustee has not challenged the investment managers with regards to their voting activity during the period. The Trustee will be looking to ask questions about voting activity, where relevant to the Fund's assets, in future meetings with the investment managers. At present, the Trustee uses Mercer's ESG ratings to help understand the extent to which managers are engaging with and integrating ESG issues into their investment decision making.

3. BlackRock Voting Summary during the year to 30 September 2022

The key voting activity by BlackRock on behalf of the Trustees is set out below. The Trustee has reviewed and are comfortable with the definition of significant vote provided by the investment manager, and by the examples provided. The Trustees are aware that in future reports they will need to define their own view of significant votes, and this will be discussed in advance of the next accounting year-end.

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
BlackRock Dynamic Allocation Fund	BlackRock uses **Institutional Shareholder Services' (ISS)** electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, they work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision.	8,358	397	90	Voting decisions and selection of relevant themes are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. As part of this, the manager has defined 'significant votes' as those around themes selected by the BIS team that they believe will encourage sound governance practices and deliver sustainable long-term financial performance.	***Costco Wholesale Corporation –*** Voted for the election of Director Hamilton E. James as board chair. BIS considered not supporting the election due to the lack of forward-looking Scope 1 and 2 GHG emissions reduction targets. However, they ultimately decided to support his election given the updated climate risk disclosure provided in Costco's supplemental filing. They believe investor engagement with the company, including by BlackRock, may have helped accelerate the disclosure of new GHG emissions reduction targets that, once met, should help Costco avoid operational and strategic disruptions amid the transition to global net zero.

BlackRock Aquila Life Currency Hedged World ex UK Equity		25,332	1,830	134		***BHP Group Plc –*** Voted with the management - supported “say on climate” resolution given that the company’s Climate Transition Action Plan aligns with their recommendation that carbon-intensive companies, such as BHP, disclose Scope 1, 2, and 3 greenhouse gas (GHG) emissions and accompanying reduction targets consistent with the anticipated multi-decade energy transition. In their view, the enhanced targets will further help investors, and other stakeholders, better assess BHP’s progress against its overall strategy to decarbonize its business model by 2050**.** Voted for the Climate Transition Plan. The plan – which is aligned with Climate Action 100’s Net Zero Company Benchmark – outlines the actions BHP will take to transition its business model as the global economy decarbonizes. Upon closely analysing the plan, BlackRock recognize and are supportive of BHP’s efforts to help investors, and other stakeholders, better understand and assess the company’s progress against its climate goals and targets.

BlackRock Aquila Life Global Developed Fundamental Weighted Index		8,422	421	68		***Origin Energy Limited –*** Voted against the amendment to the Constitution, as BIS is generally not supportive of constitutional amendment resolutions. Their concern is that the relative ease of filing introduces the risk of potentially distracting and time-consuming resolutions being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.
BlackRock Aquila Life UK Equity Index		14,348	719	266		***Shell Plc –*** Voted against the shareholder proposal to request Shell to set and publish targets for Greenhouse Gas (GHG) Emissions. BIS welcome disclosures on how companies are considering scope 3 GHG emissions, the impacts of the energy transition on their stakeholders and operations, and how they will contribute to a reliable and affordable energy system over time. At this stage, BlackRock view scope 3 emissions differently from scope 1 and 2, given methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct

						control by companies. In their view, Shell's ability to set aspirational absolute scope 3 emissions reduction targets is also impeded by the current context of significant uncertainty about the pace of declines in oil and gas demand as well as energy security considerations. As a result, they do not believe it is in the best economic interests of their clients, the asset owners, to support this shareholder proposal.

Mercer

Certificate of Schedule of Contributions

Name of the Fund	Renishaw Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 September 2021 to be met by the end of the period specified in the recovery plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated October 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature	Probert
Name	John Probert
Date of signing	24 March 2023
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
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