

# **Willsher and Quick Pension Scheme**

## **Statement of Investment Principles**

February 2026

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## 1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Willsher and Quick Pension Scheme (the Scheme). This statement sets out the principles which govern the decisions about investments that enable the Scheme to meet the requirements 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 the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustee has consulted Eaton Electric Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustee is set out in Clause 5. (a) of the Deed of Trust, dated 9 December 1991. This statement is consistent with those powers.
- 1.6. The Scheme consists of the Defined Benefit (DB) Section and the Defined Contribution (DC) Section.

## 2. Choosing investments

- 2.1. The Trustee's policy for the DB Section is to set the overall investment target and then monitor the performance of their managers against that target. For the DC Section, the Trustee's policy is to offer a default investment arrangement suitable for the DC Section's membership profile. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in the Appendices to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustee reviews the appropriateness of the Scheme's DB and DC investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending either the DB or DC investment strategy.

### 3. Investment objectives

3.1. The Trustee's main investment objectives for the DB Section are:

- to ensure that the Scheme can meet the members' entitlements under the Deed of Trust and the Scheme Rules as they fall due
- to achieve a long-term positive real return
- to reduce the risk of the assets failing to meet the liabilities over the long term
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the DB Section's required contribution levels

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the DB Section's liabilities. The Trustee has obtained exposure to investments that they expect will meet the DB Section's objectives as best as possible.

3.3. The Trustee's main investment objectives for the DC Section are:

- to provide a suitable default investment option that is likely to be suitable for a typical member of the DC Section, taking into account the interaction with benefits provided in the DB Section;
- to maximise member outcomes;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pension pots;
- to reduce the risk of the assets failing to meet projected retirement income levels.

3.4. Within the DC Section, the Trustee is responsible for the design of the default investment option and for choosing whether to make additional funds available to members, and if so which funds.

### 4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including:

- Equities;
- Bonds;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives.
- Annuity Policies

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3. The Trustee monitors from time-to-time the employer-related investment content of their DB Section portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically, this check is carried out annually by the Scheme's auditors.

## 5. The balance between different kinds of investments

- 5.1. The DB Section invests in assets that are expected to achieve the Section's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2. DC Section members are invested in the default investment strategy, which follows a lifestyle approach by gradually moving from growth assets to cash over the period to retirement.
- 5.3. The Trustee considers the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.
- 5.4. From time to time the DB Section may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short-term cashflow requirements or any other unexpected items.
- 5.5. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the asset allocation of the DB Section will be expected to change as the Scheme's liability profile matures. The asset allocation of the DC Section will change in line with the lifestyle approach of the default strategy as the membership profile evolves.

## 6. Risks

- 6.1. The Trustee has considered the following risks for the DB Section with regard to its investment policy and the Section's liabilities, and have considered ways of managing/monitoring these risks:

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**Risk versus the liabilities**

The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.

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**Asset allocation risk**

The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.

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**Liquidity risk**

The DB Section invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

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**Covenant risk**

The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

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**Solvency and mismatching**

The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.

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- 6.3. For the DC Section, investment risk lies with the members themselves. However, the Trustee has considered the following risks when determining the default investment strategy:

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<b>Inflation risk</b>	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The default investment strategy is expected to provide a long-term real rate of return.
<b>Conversion risk</b>	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the default investment strategy, which follows a lifestyle strategy (see Appendix 2), the Trustee increases the proportion of assets that more closely match how they expect members to access their retirement savings as they approach retirement.
<b>Retirement income risk</b>	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the default investment strategy to ensure member outcomes can be maximised, whilst providing communication to members from time to time explaining the importance of the level of contributions.

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- 6.4. The following risks have been considered in the context of both the DB and DC Section:

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<b>Fund manager risk</b>	The Trustee monitors the performance of any fund managers used by the Scheme on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustee has a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.
<b>Concentration risk</b>	Any fund managers used by the Scheme are expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
<b>Currency risk</b>	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
<b>Loss of investment</b>	The risk of loss of investment by each fund manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

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## 7. Expected return on investments

- 7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by its professional advisors on these matters, who it deems to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

- 7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the DB Section.
- 7.4. Having established the investment strategy, the Trustee monitors the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions (and the DB Section's funding position). The Trustee meets the Scheme's fund managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

## 8. Realisation of investments

- 8.1. The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the DB Section investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

## 9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

### Financially Material Considerations

- 9.1. The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.
- 9.2. The Trustee has elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustee, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.
- 9.3. The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:
  - 9.3.1. **Selection:** The Trustee will consider how ESG factors are taken into account in the selection of investments with the Scheme's investment managers. When appointing a new mandate, the Trustee will request that investment managers provide information regarding their ESG credentials. These credentials will then be taken into account alongside other factors in the decision as to whether to appoint each manager. The Trustee will also consider alongside other factors whether any new investment managers are signatories to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Scheme's investment managers are all PRI signatories.
  - 9.3.2. **Retention:** On an annual basis, the Trustee will review reporting provided by the Scheme's investment managers which sets out the investment manager's ESG practices, to consider whether these remain appropriate.

9.3.3. **Realisation:** The Trustee will consider how ESG factors are taken into account in the realisation of investments with the Scheme's investment managers.

9.4. The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation and consider them as part of ongoing reviews of the Scheme's investments.

## Policy for monitoring ESG policy

9.5. The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

9.5.1. The Trustee will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.

9.5.2. The Trustee will review the Scheme's investment managers' ESG policies, and the details of how they integrate ESG into their investment processes, on an annual basis. The Trustee will do this using ESG and Stewardship reports provided by the investment manager.

## Non-financially material considerations

9.6. The Trustee does not take into account individual members' and beneficiaries' views, including in relation to ethical matters, social and environmental impact and present and future quality of life (referred to in the Regulations as "non-financial factors"), in the selection, retention and realisation of investments.

9.7. The Trustee will review its policy on whether or not to take account of non-financial matters on an annual basis.

### The exercise of voting rights

9.8. The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, 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.

9.9. The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

9.10. Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will then monitor and review the information provided by the investment managers.

9.11. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

### Engagement activities

9.12. The Trustee acknowledges the importance of ESG and climate risk within the investment making framework. When delegating investment decision making to their investment managers the Trustee provides the investment managers with a benchmark it expects the investment managers to either follow or

outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

- 9.13. The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.
- 9.14. The Trustee considers it to be a part of the investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests as part of the pooled fund in which the Scheme holds units.
- 9.15. The Trustee also considers it to be part of the investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG-related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.
- 9.16. Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.
- 9.17. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.
- 9.18. The Trustee periodically reviews engagement activity undertaken by their investment managers to ensure that the policy outlined above is being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

### **Stewardship priorities**

- 9.19. The Trustee monitors and reports on the ESG and stewardship activities of their investment managers regularly, and this covers a range of topics. The Trustee will continue to monitor a range of ESG and stewardship activities, but the Trustee have chosen stewardship priorities to focus this monitoring and reporting. In selecting these priorities, the Trustee have considered the Sponsoring Employer's stance on being "active stewards of the environment" and a "model for inclusion and diversity". The Trustee have therefore set the following stewardship priorities:
- Climate and the environment
  - Diversity, Equality and Inclusion
- 9.20. The Trustee believes they can meaningfully monitor progress and engage with their investment managers in these areas over time. The Trustee expects their relevant asset managers to be able to evidence their stewardship activity in these areas which the Trustee will monitor annually, for example, by considering the voting and engagement activity of the asset managers.
- 9.21. The Trustee will periodically review the stewardship priorities of the Scheme to ensure they remain appropriate.

### **Conflicts of interest**

- 9.22. The Scheme's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring Employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles the Trustee has made the

Sponsoring Employer aware of their policy on ESG and climate related risks, how it intends to manage them, and the importance that the pensions industry as a whole, and its regulators, places on them.

- 9.23. The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.
- 9.24. The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies

## **10. Policy on arrangements with asset managers**

### **Incentivising alignment with the Trustee's investment policies**

- 10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment aims, beliefs and constraints, taking into account the nature of the investment manager's mandate.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with its own investment objectives for the part of the portfolio being considered, the Trustee may consider whether it would be more appropriate to use another manager for the mandate.
- 10.3. The Trustee's approach is therefore to determine its investment policies, which are set out in this document, and to appoint investment managers that it believes fits with these policies. The Trustee does not provide any direct incentives for the investment managers to align their practices with these policies; instead the managers have been selected on the basis that their approaches are aligned with the policies. The Trustee considers this to be a suitable approach in practice given it typically invests in pooled funds with other investors. Sections 10.11 to 10.15 of this document explain how the fee arrangements in place act as an indirect incentive for the investment managers to continue to perform in line with the criteria against which they were assessed at selection over the medium to long term.
- 10.4. The Trustee carries out an investment strategy review at least every 3 years where they assess the continuing relevance of the investment strategy in the context of the Scheme and the Trustee's aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks, with particular focus on the agreed stewardship priorities, on an annual basis.
- 10.5. In the event that an appointed investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, the Trustee will consider whether it would be more appropriate to use another manager for the mandate. The investment managers have been informed of this by the Trustee.
- 10.6. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

### **Incentivising assessments based on medium to long term, financial and non-financial considerations**

- 10.7. The Trustee is mindful that the impact of ESG and climate change may have a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee has acknowledged this in the Scheme's investment management arrangements.
- 10.8. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over an agreed predetermined rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund has a shorter-term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.
- 10.9. The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings. The Trustee monitors the voting and engagement activities of the investment managers with reference to the agreed stewardship priorities on an annual basis.

## Method and time horizon for assessing performance

- 10.10. The Trustee monitors the performance of the Scheme's investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.
- 10.11. The Trustee's policy is to monitor the performance of the Scheme's investment managers regularly to ensure that they continue to perform in line with the criteria against which they were assessed when they were appointed. The Trustee's investment consultants provide the Trustee with reporting to monitor the investment managers on a quarterly basis. The Trustee then uses this reporting to discuss wider strategic issues for the Scheme such as asset allocation and liquidity, as well as any concerns regarding individual the investment managers, including historical performance and any corporate or personnel developments that may affect future performance.
- 10.12. The Scheme invests exclusively in pooled funds. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.
- 10.13. Other than for Liability Driven Investment (LDI) assets, the Trustee believes that this fee structure incentivises the investment manager to focus on long-term performance.
- 10.14. For LDI assets, the setting of a clear benchmark linked to the value of the Scheme's liabilities incentivises the manager to manage the portfolio in line with Trustee's risk management requirements. The Trustee acknowledges that a fall in the value of the LDI portfolio, in line with a fall in the value of the liabilities, would reduce the remuneration paid to the manager.
- 10.15. The Trustee does not consider this to be a disincentive for the manager to invest in line with its benchmark, because the Trustee makes clear to its LDI manager that any material deviation from its benchmark which is considered out of line with the manager's expected approach could result in the appointment of a replacement LDI manager.
- 10.16. The Trustee asks the Scheme's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles

## Portfolio turnover costs

- 10.17. The Trustee acknowledges that portfolio turnover costs can impact on the performance of the Scheme's investments. Overall performance is assessed as part of the regular investment monitoring process.
- 10.18. During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.
- 10.19. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements can be beneficial to the fund from both a risk and cost perspective.

## Duration of arrangement with manager

- 10.20. For the open-ended pooled funds in which the Scheme invests, there are no predetermined timescales for investment agreed with the investment managers.
- 10.21. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

## 11. Agreement

- 11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

**Adopted by the Trustee February 2026**

# Appendix 1 - Note on investment policy of the Scheme's DB Section

## 1. Choosing investments

The Trustee has appointed Legal & General Investment Management (LGIM) to carry out the day-to-day investment of the Scheme. LGIM are authorised and regulated by the Financial Conduct Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the fund managers on suitability of investments.

## 2. The balance between different kinds of investment

The asset allocation and liability hedging requirements have been agreed after considering the DB Section's liability profile, its funding position and possible volatility, expected return of the various asset classes and the need for diversification.

The DB Section has a strategic asset allocation as set out in the table below.

Portfolio	Asset class	Allocation (%)
Growth portfolio	<b>Multi Asset</b>	<b>20.0</b>
	LGIM Diversified Fund	20.0
Protection portfolio	<b>LGIM Matching Core Funds (LDI)</b>	<b>7.0</b>
	<b>Cash</b>	<b>6.0</b>
	LGIM Sterling Liquidity Fund	6.0
	<b>LGIM Buy-Out Aware Funds</b>	<b>67.0</b>
<b>Total</b>		<b>100.0</b>

### Protection portfolio

The main purpose of the Protection portfolio is to broadly match movements in insurer pricing as the Scheme moves towards its target of achieving buyout with an insurer. As part of this aim the portfolio seeks to protect the DB Section's funding level from unanticipated changes in interest rates and inflation, by matching all of the change in the value of the DB Section's liabilities arising from changes in interest rates and inflation.

To this end the Trustee targets interest rate and inflation hedge ratios of 100% of the Scheme's total liabilities on a gilts-flat basis.

The hedge ratios for this purpose (expressed as a percentage of the Scheme's liabilities) are defined as follows:

$$\text{Interest rate hedge ratio} = \frac{PV01 (\text{Scheme assets})}{PV01 (\text{Scheme liabilities})}$$

$$\text{Inflation hedge ratio} = \frac{IE01 (\text{Scheme assets})}{IE01 (\text{Scheme liabilities})}$$

- PV01 represents the sensitivity of the value of the assets/liabilities to unanticipated changes in interest rates, measured by the financial impact on the value of the assets/liabilities of a 0.01% fall in UK interest rates at all terms.
- IE01 represents the sensitivity of the value of the assets/liabilities to unanticipated changes in market-implied inflation expectations, measured by the financial impact on the value of the assets/liabilities of a 0.01% increase to UK RPI inflation at all terms.

In this context, the value of the Scheme's liabilities should be calculated on a "gilts flat" actuarial basis. That is, the liabilities should be calculated using the actuarial basis used to determine the Scheme's Technical Provisions but with the discount rates set equal to the yield on gilts.

### **Liquidity**

The Trustee will hold an allocation to the LGIM Sterling Liquidity Fund within the Protection Portfolio to meet collateral calls from the LDI funds and anticipated liability outflows. The Diversified Fund provides additional liquidity for this purpose. A bank account is used to facilitate the holding of cash awaiting investment or payment.

### **Rebalancing**

The Trustee will generally not rebalance between the Growth and Protection portfolios as the asset allocation of the LDI and Buyout Aware funds is expected to vary to match changes in the value of the DB Section's liabilities.

The investment policy will be reviewed in light of any significant changes to the Scheme.

## **1. Re-capitalisation and re-leveraging of LGIM Matching Core funds**

Since the funds in LGIM's Matching Core range are leveraged, a sufficient rise in interest rates may require the Trustee to transfer additional capital from the DB Section's investments in order to maintain the level of interest rate and inflation hedging. Conversely, if interest rates fall sufficiently, the funds may distribute capital.

In the event that a re-capitalisation contribution is required, LGIM will automatically sell the DB Section's holdings in the following order of priority, in order to meet this requirement:

1. LGIM Sterling Liquidity Fund
2. LGIM Diversified Fund.

In the event that a cash payment is made by LGIM as a result of the re-leveraging of one or more Matching Core fund(s), this will be transferred automatically to the LGIM Sterling Liquidity Fund by LGIM.

## **3. Fund performance**

The Trustee will assess the performance of the funds relative to the benchmarks and objectives set out in the table below.

Fund manager	Fund	Benchmark	Objective
LGIM	Diversified Fund	FTSE Developed World Index - 50% GBP Hedged	To provide long-term investment growth through exposure to a diversified range of asset classes.
	Matching Core Funds: <ul style="list-style-type: none"> <li>Fixed Long Fund</li> <li>Fixed Short Fund</li> </ul>	The benchmark for each fund references a liability benchmark designed to reflect a generic pension liability profile with either short or long duration, and fixed interest rate sensitivity.	To perform in line with the leveraged benchmark.
	Sterling Liquidity Fund	SONIA	To provide capital stability and a return in line with money market rates whilst providing daily access to liquidity and providing an income.
	Buyout Aware Funds: <ul style="list-style-type: none"> <li>Real Short</li> <li>Real Long</li> <li>Fixed Long</li> </ul>	Each fund references a liability profile with: <ul style="list-style-type: none"> <li>Either short or long duration, and</li> <li>either fixed interest or real interest rate sensitivity</li> </ul>	To provide diversified exposure to assets that reflect the investments underlying a typical bulk annuity insurance policy (otherwise known as a buy-in or a buy-out).

The performance of the fund managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

#### 4. Investments and disinvestments

Any new money will usually be used to pay benefits. If there is excess money available then the Trustee will decide where to invest this on a case-by-case basis, with reference to the DB Section's strategic asset allocation and the return and hedging requirements.

Where new money is insufficient to pay benefits, disinvestments will be made to meet these, and these will usually be made from the Sterling Liquidity Fund. Where this is insufficient the Diversified Fund will typically be used to provide additional liquidity.

## Appendix 2 - Note on investment policy of the Scheme's DC Section

### 1. The balance between different kinds of investment

The Trustee has made available a default investment arrangement which follows a lifestyle strategy, whereby members' assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way from accessing their retirement savings, switching progressively to cash over the years preceding the member's target retirement date. The Trustee expects that the majority of members' DC funds will be used to take cash lump sums at retirement, allowing for the interaction between the Scheme's DB and DC benefits.

The Trustee has not made available any additional funds for members to use for investment, as historically members have not historically requested options outside of the default strategy. If members request additional investment options then the Trustee will allow members to choose their own mix of the two funds in the default strategy, rather than the mix determined by the default lifestyling strategy.

### 2. The default option

The default investment option involves members' funds being invested in line with the following lifestyling strategy:

Fund/Age	<57	57	58	59	60	61	62	63	64	65
LGIM Diversified Fund	100%	100%	95%	90%	80%	70%	55%	35%	15%	0%
LGIM Sterling Liquidity Fund	0%	0%	5%	10%	20%	30%	45%	65%	85%	100%

#### Policy on illiquid assets

The default arrangement for the Scheme does not currently invest directly in illiquid assets such as private equity, infrastructure, and real estate. The Trustee believes that the reduced liquidity and higher complexity of these investments, along with the fees currently available in the market for illiquid DC funds, makes them unsuitable for the default arrangement at this time.

The Trustee has no immediate plans to introduce illiquid assets to the strategy. The Trustee will review this policy periodically and may consider introducing some allocation to illiquid assets in future if member demographics and developments in the investment landscape make this appropriate.

### 3. Choosing investments

The Trustee has appointed Legal & General Investment Management (LGIM) to carry out the day-to-day investment of the Scheme. LGIM are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund manager are given below:

Fund manager	Fund	Benchmark	Objective
LGIM	Diversified Fund	FTSE Developed World Index - 50% GBP Hedged	To provide long-term investment growth through exposure to a diversified range of asset classes.
	Sterling Liquidity Fund	SONIA	To provide diversified exposure and a competitive return in relation to 7 Day SONIA.

The performance of the fund managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

## Appendix 3 - Investment Governance Policies

This section forms part of the Trustee's Effective System of Governance (ESOG), specifically on aspects of governance relating to the Scheme's investments. This will be reviewed annually as part of the Trustees' Own Risk Assessment (ORA).

The Trustee believes that the system of governance in place is proportionate to the size, nature, scale and complexity of the activities of the Scheme. The Trustee understands that they could go further than the policies set out in this Appendix, but believe that doing so would not offer a material improvement to the Scheme's governance.

The Trustee has put in place policies to ensure that they are confident that investment governance is carried out in accordance with legal obligations, with the best interests of Scheme members and their beneficiaries in mind, and by people with the right expertise (particularly where any of these functions are outsourced).

### Objectives, roles and responsibilities

This section describes the objectives, roles and responsibilities for the different parties involved with managing the Scheme's investments, and sets out where accountability lies for providing oversight, advice, and decision-making. The Trustee will share this section with all relevant parties to ensure that expectations are understood.

The Trustee is comfortable that the level of delegation taken with respect to investment decisions is appropriate to the Scheme's circumstances and level of complexity.

### The Trustee Board

The Trustee's objectives in relation to the Scheme's investments are set out in this document. The investment powers of the Trustee are set out in the Trust Deed and Rules. In accordance with the Financial Services & Markets

Act 2000, the Trustee sets the general investment policy but delegate the responsibility for selection of specific investments to appointed investment managers.

The Trustee's responsibilities include:



Reviewing the investment strategy following the results of each formal actuarial valuation, or more frequently if appropriate.



Appointing investment managers to implement the agreed investment strategy.



Monitoring the performance of the investment managers that have been selected to implement the agreed investment strategy. The Trustee will be assisted in this monitoring by the Investment Consultant.



Consulting with the sponsoring employer when making changes to the investment strategy.



Monitoring compliance of the investment arrangements with the Statement of Investment Principles on an ongoing basis.

## Investment Consultant

The Trustee has set their Investment Consultant objectives in a separate document. A review of performance against these objectives is carried out annually, and the objectives themselves are reviewed at least every three years. The Investment Consultant's responsibilities include:

- Performing in line with their objectives which have been agreed with the Trustee and documented separately
- Participating with the Trustee in regular reviews of the Statement of Investment Principles, and in the review of the investment strategy.
- Undertaking project work as required, including reviews of asset allocation policy and reviews or selection of investment managers.
- In consultation with the Scheme Actuary, advising the Trustee of how any changes in the Scheme's benefits, membership and funding position may affect the way in which the Scheme's assets should be invested.

## Investment managers

Each fund that the Scheme invests in has specified objectives for financial performance, and in some cases Environmental, Social and Governance (ESG), and the investment managers' objective is to perform in line with these objectives. The Trustee monitors the financial performance of the investment managers on a quarterly basis, and the ESG and stewardship performance on an annual basis, using reports provided by Barnett Waddingham.

The investment managers' responsibilities include:

- Investing in diversified portfolios of assets suitable for the Scheme within guidelines given by the Trustee.

- At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting individual securities within each asset class.
- Maintaining appropriate capital levels where leverage is used.
- Providing the Trustee with regular portfolio valuations along with a report, at least annually, on actions and future intentions, and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustee to review their Investment Mangers' activities.
- Exercising the rights attached to the shareholdings of the Scheme so as to protect and enhance the long-term value of the stock holding for the Scheme.
- Reporting to a meeting of the Trustee at least annually, either in person or through documentation in a format agreed by both parties.

## **Legal Advisor**

When appointing a new investment manager or fund, the Trustee will typically ask their legal advisor to carry out a legal review of the relevant fund documentation.

## Policy for investment decision-making

This policy sets out the Trustee's policy for making decisions relating to the Scheme's investments.

The Trustee is comfortable that they are sufficiently contactable and available to ensure that this process can be followed, and decisions relating to the Scheme's investments can be made in a timely and effective manner. When making decisions, the Trustee will also make reference to the investment decision-making framework set out in this document.

### Process for making decisions



#### Decisions made during quarterly Trustee meetings

The Trustee will typically discuss matters relating to the Scheme's investments at their quarterly Trustee meetings. At the start of each meeting the Trustee will confirm whether they are quorate and able to make decisions in line with the Scheme's Trust Deed and Rules. The Trustee's investment consultant will propose items to be added to the agenda for discussion and will provide preliminary reading for the Trustees to consider where appropriate, to ensure that they have all of the information required to make effective and informed decisions.

Any decisions taken relating to the Scheme's investments during Trustee meetings will take into account advice provided by the Trustee's investment consultant and will be recorded in formal meeting minutes and the log of investment decisions.



#### Decisions made outside of quarterly Trustee meetings

It will sometimes be necessary for the Trustee to make decisions relating to the Scheme's investments outside of meetings. This will typically arise from the Trustee's investment consultant raising an issue that needs to be considered and providing advice on how to proceed.

The Trustee's investment consultant will typically contact the Trustee with information relating to the development and the proposed course of action.

Where there are developments affecting the Scheme's investments that require more urgent action to be taken, the Trustees' investment consultant will look to discuss with at least one nominated representative of the Trustee with a fully documented decision made by the Trustee.

Any decisions made outside of quarterly Trustee meetings will be added to the log of investment decisions.

# Investment decision-making framework

The table below provides a framework for the factors the Trustee will consider when making decisions relating to the Scheme's investment strategy:

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<b>Advice and understanding</b>
Obtain and consider advice from investment consultant.
Consider whether it would be appropriate to obtain legal advice.
Consider any likely personal biases and any conflicts of interest the person providing input may have in the decisions to be made.
Ensure the Trustee is able to critically evaluate the main points of the investment information received, and that they understand the basis on which that information has been provided. If necessary, arrange for training or further information to be provided.
Ensure it is clear from the advice received how short and long-term climate change risks and opportunities are built into the recommendations.
<b>Wider strategy considerations</b>
Ensure the investment structure and decisions made in relation to investments aim to deliver the objectives and outcomes in accordance with the principles set out in the SIP.
Ensure that the Scheme's assets will remain sufficiently diversified following the change being considered.
Ensure that following the changes, the Scheme will be invested in a way that ensures security, quality, reasonable liquidity and profitability for the Scheme's portfolio as a whole, and will be invested mainly through regulated markets.
Consider how ESG factors (including but not limited to climate) might impact the balance of risks/returns over the longer term as part of this decision. Consider the potential long-term positive and negative impacts of the investment decision on member outcomes.
<b>Implementation considerations</b>
Where applicable, review the investment managers' fund documentation, obtaining advice from investment consultant and legal advisor where appropriate.
Ensure costs and charges for any advice sought and/or investment transactions that may result represent reasonable value.
Ensure the right level of protection is put in place for members.
<b>Communications and documentation</b>
Consult with sponsoring employer regarding any proposed changes.
Consider informing members and the sponsoring employer on the overall conclusions of the security of assets.
Where necessary, consider informing members in advance of potential changes to an investment arrangement.
Update Statement of Investment Principles if appropriate, and upload updated version to publicly available website.
Add any agreed changes to log of investment decisions.

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# Policy for monitoring investment governance arrangements

The Trustee will:

## Quarterly



Assess the performance of investments and any investment options, including any default arrangement, within the context of the relevant objectives. This will include monitoring of the performance of their investment managers, using investment monitoring reports provided by their investment consultant.

## Annually



Review the ESG and stewardship characteristics of the funds in which the Scheme invests, and monitor the ESG and stewardship activity of the managers, using sustainability reporting provided by their investment manager. As part of this review, ensure that climate-related risks and opportunities are being appropriately assessed and managed through the Scheme's investments.

Assess the effectiveness of their investment decision making (with reference to the log of investment decisions) and governance processes during the year.

Review the performance of their investment consultant against the objectives set.

## Triennially



Review the governance structure relating to the assessment of investment risks and how investment decisions are made, including the level of delegation, to ensure it remains appropriate for the Scheme's circumstances and level of complexity.

Review the investment strategy and Statement of Investment Principles at least triennially.

## Ad hoc



Review and negotiate the terms of contractual arrangements and fund documents in place with investment managers and advisers as appropriate.

### Review of arrangements with investment managers

When a new investment manager is appointed, the Trustee will review and negotiate the terms of the arrangements and the fund documents with the manager. The Trustee will seek advice from their investment consultant regarding the terms of the arrangements and the investment aspects of the fund documents. The Trustee will also delegate negotiation of the commercial terms of the arrangements (for example, the level of fees paid) to their investment consultant. The Trustee may ask their legal advisor to carry out a review of the fund documents if deemed appropriate.

If there are any changes to the terms of the arrangements and fund documents with the managers during the course of the managers being appointed, then the Trustee will follow the process set out above in relation to the changes.

On an ongoing basis, the Trustee will rely on their investment consultant to negotiate the terms of the arrangements with investment managers based on how competitive the terms are in the wider market.

### Review of arrangements with investment consultant

The Trustee reviews the performance of their investment consultant against the objective they have been set on an annual basis. These objectives are reviewed at least once every three years, or following any significant change in the Scheme's investment strategy.