Statement of Investment Principles for the Fenwick Limited Superannuation Fund (the "Fund")

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policies of the Trustee of the Fenwick Limited Superannuation Fund ("the Trustee") on various matters governing investment decisions for the Fenwick Limited Superannuation Fund ("the Fund"), a Defined Benefit ("DB") scheme. This SIP replaces the previous SIP dated September 2020.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Fund's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Fund and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and will amend it as appropriate. Reviews will take place as soon as practicable after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator's guidance on investments.

- **Appendix 1** sets out details of the Fund's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustee's policy towards risk appetite, capacity, measurement and management.

2. Investment objectives

The primary objective is to ensure that the Fund should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustee has the following objectives:

- that the expected return on the Fund's assets is maximised whilst managing and maintaining investment risk at an appropriate level.
- that the Fund should be fully funded on a technical provisions basis, with a secondary objectives of being fully funded on a gilts flat basis in the longer term. (i.e. the asset value should be at least that of its liabilities on this basis).

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the employer, reviewed the investment strategy in January 2023, considering the objectives described in Section 2.

The Trustee has entered into buy-in contracts with a number of insurers, which provide annuities for a portion of the Fund's existing pensioners. Although the annuity policies do not have a direct market value, an estimated value of the policies is provided on an annual basis for accounting purposes and the size of these assets are monitored on an ongoing basis.

There is no formal rebalancing policy. The Trustee monitors the asset allocation from time to time. If material deviations from the strategic allocation occur the Trustee will consider with its advisers whether it is appropriate to rebalance the assets, considering factors such as market conditions and anticipated future cash flows.

As the Fund matures over time, the Trustee will seek to de-risk the investment strategy in line with the change in the liability profile of the Fund (ie switching from growth to matching assets)

The Trustee has a leverage management plan in place which sets out the assets directly available to support the Fund's LDI arrangements. The Trustee monitors whether there remains sufficient collateral for the LDI mandate on a quarterly basis and takes action to increase available collateral as required.

4. Considerations in setting the investment arrangements

When deciding how to invest the Fund's assets, it's the Trustee's policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as the Trustee's beliefs about investment markets and which factors are most likely to impact investment outcomes. The primary ways the Trustee manages investment risk is via diversification, ensuring it receives professional written advice prior to making any material investment decision, and ongoing monitoring and oversight of the investments. Investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how the Trustee measures and manages those risks is set out in Appendix 2.

The key financial assumption made by the Trustee in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 4.0% pa.

In setting the strategy the Trustee considered:

- the Fund's investment objectives, including the target return required to meet these;
- the circumstances of the Fund, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to ensure that both the Fund's overall level of investment risk and the balance of individual asset risks are appropriate.

The Trustee also considers any other factors which it believes to be financially material over the applicable time horizons to the funding of the Fund, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;

- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged or diversified;
- certain investment markets are not always efficient and there may be opportunities for good active managers to add value;
- consideration of ESG factors in investment decision making leads to better risk-adjusted returns; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Fund over the short, medium and long term.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the separate Investment Policy Implementation Document ("IPID").

The Trustee has entered into a series of annuity policies which provide payments to match the pensions payable to some of the Fund's pensioners.

The Trustee has entered into a contract with a platform provider, who makes available the range of investment funds in which the Fund can invest. There is no direct relationship between the Fund and the underlying investment managers whose funds are accessible on the platform.

For funds held outside the platform the Trustee has signed agreements with the relevant investment managers, setting out in detail the terms on which the portfolios are to be managed.

The Trustee has limited influence over managers' investment practices because all the Fund's assets are held in pooled funds, but it encourages its managers to improve their practices within the parameters of the fund they are managing.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies.

The Trustee expects investment managers to make decisions based on assessments of the longer term financial performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, the Trustee will consider alternative arrangements.

The Trustee's policy is to evaluate each of its investment managers by considering performance, the role it plays in helping the Fund meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each managers' remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in the Trustee's assessment of the investment managers, it does not explicitly monitor portfolio turnover. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

6. Realisation of investments

When appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. The Trustee's preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (e.g. private credit). In general, the Trustee's policy is to use cash flows to rebalance the Fund's assets towards the strategic asset allocation, except where this may impact the level of hedging provided by the LDI portfolio.

7. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Fund and its members.

The Trustee influences the Fund's approach to ESG and other financially material factors through its investment strategy and manager selection decisions. The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) within the parameters of the mandates they are set. The Trustee seeks to appoint managers that have the skills and processes to do this, and periodically reviews how the managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their ESG practices within the parameters of their funds.

Within each asset class, the Trustee has considered investment options that give increased weight to ESG factors. The Trustee has chosen to invest the equity allocation in a passively managed fund that tracks an index with reduced exposure to climate-related risks and increased exposure to climate-related opportunities.

The Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Voting and engagement

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. The Trustee expects the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

As all of the Fund's investments are held through managers or pooled funds, the Trustee does not monitor or engage directly with issuers or other holders of debt or equity.

The Trustee monitors managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The Trustee reviews the themes regularly and updates them if appropriate. The Trustee communicates these stewardship priorities to its managers and also confirms its more general expectations in relation to ESG factors, voting and engagement. The stewardship priorities for the Fund are climate change and corporate transparency.

If the Trustee's monitoring identifies areas of concern, it will engage with the relevant manager to encourage improvements.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

SIP signed for and on behalf of Ross Trustees Services Limited, as Trustee of the Fenwick Limited Superannuation Fund:

Signed: ____

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Fund. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Fund overall. The Trustee's investment powers are set out within the Fund's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- setting investment policies, including those in relation to financially material factors and the exercise of rights and engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- monitoring, reviewing and replacing investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that it has delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended);
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged; and
- reviewing the SIP and modifying it as necessary.

2. Platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.

3. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;

- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing the Trustee / investment platform provider with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- assisting the Trustee in reviews of its SIP.

5. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Fund results in a range of charges to be met, directly or indirectly, by deduction from the Fund's assets.

The Trustee has agreed Terms of Business with the Fund's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receive fees calculated by reference to the market value of assets under management and in some cases also a performance related fee.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Fund, and the Trustee keeps the fee structures under review.

6. Performance assessment

The Trustee is satisfied that there are sufficient resources to support its investment responsibilities, and that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Fund's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the Fund's employer

When reviewing matters regarding the Fund's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.

Policy towards risk

1. Risk appetite and risk capacity

Risk capacity is the maximum level of risk that the Trustee considers appropriate to take in the investment strategy. Risk appetite is how much risk the Trustee believes is appropriate to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

When assessing risk and reviewing the investment strategy, the Trustee considers:

- the strength of the employer's covenant and how this may change over time;
- the agreed journey plan and employer contributions;
- the Fund's long-term and shorter-term funding targets;
- the Fund's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Fund's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

2. Approach to managing and monitoring investment risks

The Trustee considers that there are several different types of investment risk that are important to manage and monitor. These include, but are not limited to:

2.1. Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and the Trustee has set an appropriate target return for the assets accordingly. There is a risk that the return experiences is not sufficient. This risk has been considered in setting the investment strategy.

2.2. Credit risk

The Fund is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and only invests in bonds that are classified as "investment grade".

2.3. Equity risk

The Trustee believes that equity risk is a rewarded investment risk, over the long term.

The Trustee considers exposure to equity risk in the context of the Fund's overall investment strategy and believes that the level of exposure to this risk is appropriate.

2.4. Currency risk

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risk because some of the Fund's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in some pooled funds that hedge currency exposure.

2.5. Interest rate and inflation risk

The Fund's assets are subject to interest rate and inflation risk because some of the Fund's assets are held in bonds and LDI funds. However, the interest rate and inflation exposure of the Fund's assets hedge part of the corresponding risks associated with the Fund's uninsured liabilities.

Given that this should reduce the volatility of the funding level, the Trustee believes that it is appropriate to manage exposures to these risks in this manner.

2.6. Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and from time to time review how this risk is being managed in practice.

2.7. Other environmental, social and governance (ESG) risks

ESG factors are sources of risk which could be financially material, over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices. The Trustee seeks to appoint investment managers who will manage these risks appropriately and from time to time reviews how these risks are being managed in practice.

2.8. Illiquidity/marketability risk

This is the risk that the Fund is unable to realise assets to meet benefit cash flows as they fall due, or that the Fund will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Fund's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Fund's investments.

2.9. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Fund's assets. The Trustee believes that the Fund's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Fund's investment arrangements.

2.10. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written professional advice and will typically undertake amanager selection exercise. The Trustee monitors the investments regularly against their objectives and receives ongoing professional investment advice as to their suitability.

2.11. Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

. The LDI funds make use of derivative and gilt repos contracts and these investments are used by the Trustee to match efficiently a portion of the Fund's liabilities. Counterparty risk is managed within the funds through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

2.12. Collateral adequacy risk

The Fund is invested in leveraged LDI to provide protection against adverse changes in interest rates and inflation expectations. The LDI funds may from time to time call for additional cash to support a given level of leverage. Collateral adequacy risk is the risk that the Trustee will not be able to post additional cash to the LDI fundswithin the required timeframe when requested. A potential consequence of this risk is that the Fund's interest rate and inflation hedging could be reduced and that the Fund's funding level could suffer subsequently as a result. In order to manage this risk, the Trustee's objective is that the Fund has a sufficient allocation to money-market and other highly liquid assets that could be used to meet collateral calls.

2.13. Valuation risk

Some of the Fund's assets (such as equities) can be valued regularly based upon observable market prices. For other assets (such as private credit), prices may only be estimated relatively infrequently using one or more of a range of approximate methods – eg mathematical models or recent sales prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice.

The Trustee considers exposure to valuation risk in the context of the Fund’s overall investment strategy and believes that the level of exposure to this risk is appropriate.

2.14. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Fund. It takes these into consideration as far as practical in setting the Fund’s investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Fund as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. The Trustee regularly reviews progress against the funding target.