

THOMAS TAIT & SONS LIMITED 1988  
PENSION SCHEME  
STATEMENT OF INVESTMENT  
PRINCIPLES

APRIL 2023

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# 1 INTRODUCTION

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This Statement of Investment Principles (“the Statement”) has been prepared by Trustees of Thomas Tait & Sons Limited 1988 Pension Scheme (“the Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees’ investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

# 2 INVESTMENT OBJECTIVES

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The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

# 3 INVESTMENT RESPONSIBILITIES

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## 3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body. The Trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with both the Investment Adviser and the Sponsoring Employer
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total Scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement
- The setting of strategic objectives for the Investment Adviser. The objectives will be reviewed at least every three years or after any significant change in investment policy. The Investment Adviser will be assessed against these objectives on an annual basis.

## 3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the independent Investment Adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Monitoring the Investment Managers to ensure their continuing appropriateness to the mandates given
- Monitoring the Platform provider to ensure its continuing appropriateness for the Scheme
- Production of performance monitoring reports
- Advising on cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 – Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer will seek to be proactive in advising the Trustees regarding tactical investment decisions as and when appropriate.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks. Mercer will provide performance monitoring reports to aid the Trustee in this process

Mercer makes a fund based charge which covers the services of Mercer as specified within the Investment Consultancy Services Agreement (ICA). Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice, and, as noted below, any discounts negotiated by Mercer with the underlying managers are passed on in full to the Scheme.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

### 3.3 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees, after considering appropriate investment advice, has invested the majority of the Scheme's assets through a Trustee Investment Policy ("TIP") from Mobius whose appointment foregoes the need for a Custodian. The exception to this is an allocation to the Mercer Private Investment Partners VI SICAV-SIF Private Markets Fund.

The Mobius TIP facilitates investment into a range of underlying funds managed by third party investment managers and the value of the Mobius TIP is directly linked to the change in value in the underlying funds. All of the underlying investment managers used by the Scheme are authorised and regulated by the FCA. Mobius Life Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA.

The underlying investment managers used by the Trustees through the Mobius platform are chosen based on advice from the Investment Adviser. This is based on the Investment Adviser's view of their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. If a manager is significantly downgraded by Mercer's Manager Research Team (MMRT), Mercer will inform the Trustees so that a decision may be taken to replace if necessary.

The Trustees will only invest in pooled investment vehicles through the Mobius platform and via Mercer. The Trustees therefore accept that they cannot specify the risk profile and return targets of the managers, but the pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The underlying investment managers the funds are invested in are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

Both Mobius and the underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. Where possible, discounts have been negotiated by Mercer and Mobius with the underlying managers on their standard charges and the Scheme benefits directly from these discounts.

None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets. The exception to this is the investment in the Mercer Private Investment Partners VI SICAV-SIF in the form of Carried Interest. The Carried Interest for the proposed Sub-Funds is calculated as 5% of outperformance over a specified Internal Rate of Return ("IRR") hurdle rate, with 50% catch up. The relevant hurdle rates are as follows:

Sub-Fund	Hurdle Rate
INFRA	7%
PD	7%
SO	7%
SPD	n/a

In practice this means:

- If the final (“IRR”) of the Sub-Fund is less than the hurdle rate, Mercer does not receive any Carried Interest.
- If the final IRR of the Sub-Fund is above the hurdle rate, Carried Interest will be charged so as to reduce the net return to investors above the IRR by 50%, up until the point where the Carried Interest equals 5% of the IRR. At that point, Carried Interest has fully “caught up”.
- Above this point, the Carried Interest will simply reduce the net return to investors by IRR\*5%

It is important to note that Carried Interest and the hurdle rate are calculated by reference to the net IRR to investors, (i.e. after all other fees and costs).

As the Fund is a closed ended and has a long investment timeframe, the performance related fee does not incentivise the manager to make short term focused decisions in pursuit of higher fees. The outperformance is measured against the IRR, so takes account of the full investment period.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund’s stated characteristics. The Trustees are therefore satisfied that this is the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustees policies as set out in this SIP.

### 3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the Scheme administrators, so far as they relate to the Scheme’s investments, is set out at Appendix 4.

# 4 INVESTMENT STRATEGY

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## 4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as equity, diversified growth funds, multi asset credit and private markets. The "stabilising" portfolio comprises of assets such as liability driven investments ("LDI") and Cashflow Driven Investments ("CDI"). The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the objectives of the Trustees. They have established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

The Trustees have established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

## 4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

### **Strategic Investment Decisions**

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their Investment Adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

## Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

## Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

## 4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and Overseas Equities
- UK and Overseas Government Bonds, Fixed and Inflation-linked
- UK and Overseas Corporate Bonds
- Convertible Bonds
- Multi Asset Credit
- Property
- Commodities
- Hedge Funds
- Private Equity
- Private Debt
- Private Infrastructure Equity
- High Yield Bonds
- Emerging Market Debt
- Diversified Growth
- Liability Driven Investment Products
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

## 4.4 FINANCIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. In addition, the Trustees have invested in the Infrastructure and Sustainable sleeves of the Mercer Private Markets Fund, both of which are mandated to have significant sustainable investments. Furthermore, the Trustees receive Mercer's ESG rating for each fund and monitors them on a quarterly basis.

The Trustees have reviewed the ESG policies of their managers and concluded that they are appropriate. The Trustees will therefore rely on the policies and judgement of their investment managers when assessing the impact on the value of the Schemes investments.

## 4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

## 4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

MMRT receive regular reporting from the underlying investment managers / funds which includes information on the voting activity undertaken on behalf of the pooled fund, where appropriate. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund. If required, the MMRT will raise any concerns directly with the investment manager.

## 4.7 STEWARDSHIP

The Trustees, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. In particular, the Trustees will monitor:

- The performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time periods will be considered, the focus will be on the medium to long-term performance of the investment manager / fund. Where performance has failed to meet expectations and/or the MMRT's views on the future expectations of performance has changed, the underlying investment manager / fund would be replaced with a suitable alternative;
- Performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustees must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g. general market movements. The level of risk will be monitored on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately;

The ESG and Stewardship policies of the underlying investment manager will be reviewed on a regular basis. As the Scheme invests in pooled funds, the Trustees recognise that its ability to influence the stewardship policies of the underlying investment manager is limited. As such, any changes to the Trustees view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

# 5 RISK

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The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following:

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

## **Solvency Risk and Mismatching Risk**

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

## **Manager Risk**

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

## **Liquidity Risk**

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

## **Political Risk**

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

## **ESG**

### **Environmental**

- This risk that improper, or inadequate, consideration of environmental factors could lead to adverse investment performance and / or reputational damage to the Scheme.
- The day to day management of environmental risk is the responsibility of the companies in which the Scheme's underlying managers have invested. Given the Trustees are invested in pooled funds, the Trustees will rely on the investment manager to ensure that these companies have sufficient procedures and processes in place in order to mitigate this risk as far as is reasonably possible.

### **Social**

- This is the risk that social factors are not properly considered within the investment decision making process. Social risks can arise both within and external to a company, e.g. internal factors could include workplace health & safety whilst external factors may include a company's impact on the area surrounding their place of business.
- The day to day management of social risk is also the responsibility of the companies in which the Scheme's underlying managers invest. It is the responsibility of the investment manager to ensure that these companies have sufficient procedures and processes in place in order to mitigate these risks as far as is reasonably possible.

## **Governance**

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

## **Sponsoring Employer Risk**

- This is assessed as the level of ability and degree of willingness of the Sponsoring Employer to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the Sponsoring Employer's business, as measured by a number of factors, including the creditworthiness of the Sponsoring Employer and the size of the pension liability relative to the Sponsoring Employer. Regular updates on employer covenant are provided to the Trustees by senior staff of the Sponsoring Employer.

## **Legislative Risk**

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

## **Credit Risk**

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

## **Market Risk**

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk:

### **Currency Risk**

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- For currency hedged funds, the Trustees acknowledge that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.
- For funds where the currency risk is separately managed by the manager, the Trustees acknowledge that currency risk is delegated to the underlying investment managers where the manager is responsible for the decision of whether or not to hedge.

### **Interest Rate Risk**

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the interest rate risk related to individual debt instruments, and particularly liability driven investment (LDI) instruments, is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

## Other Price Risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

# 6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

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## 6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way. To do so, the Trustees will consider the objectives it set for its investment adviser in the document entitled “Strategic Objectives for Investment Consultancy Services” which was signed and formally adopted by the Trustees in December 2019. These objectives were reviewed in 2023.

## 6.2 INVESTMENT MANAGERS

The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from Mercer, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager’s stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers’ performance.

The reporting also reviews the performance of the Scheme’s assets in aggregate against the Scheme’s strategic benchmark.

In conjunction with advice and information from their Investment Adviser, the Trustees have the role of replacing the underlying investment managers where appropriate. They take a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by MMRT. This in turn would be due to a significant reduction in Mercer’s confidence that the investment manager will be able to perform in line with their fund’s mandate over the long term.

Changes will be made to the underlying managers however if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

## 6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

# 7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

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The Trustees hold assets invested separately from the main fund with The Prudential Assurance Company and Standard Life Assurance Company securing additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions (AVCs). Members participating in these arrangements each receive an annual statement confirming the amounts held to their account and the movements in the year.

# 8 CODE OF BEST PRACTICE

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The Trustee notes that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'

The Trustee has received training in relation to this guidance and is satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

The Trustee meets with its Investment Adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

# 9 COMPLIANCE

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The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme's auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on .....

**On behalf of the Trustees of the Thomas Tait & Sons Ltd 1988 Pension Scheme**

**Signed** .....  
**Date** .....  
**Full Name** .....  
**Position** .....

# APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation (%)	Guideline Range (+/-) (%)
<b>Growth Assets</b>	<b>33.0</b>	
Diversified Growth	10.0	10.0
Multi Asset Credit	8.0	8.0
Private Markets	15.0	15.0
<b>Stabilising Assets</b>	<b>67.0</b>	
LDI – Real	30.0	30.0
LDI – Nominal	8.0	8.0
CDI	29.0	10.0
<b>Total</b>	<b>100.0%</b>	

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

# APPENDIX 2: CASHFLOW AND REBALANCING POLICY

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Where possible, cash outflows will be met from cash balances held by the Scheme and from income from the Scheme's investments in order to minimise transaction costs.

## Rebalancing Policy

There will be no automatic rebalancing of the portfolio.

The actual allocation relative to the strategic allocation will be reviewed on an ongoing basis and realigned if deemed necessary.

## Cashflow Policy

As agreed in the Investment Cashflow Policy Document dated October 2022. All investments and disinvestments up to a value of £150,000 can be made by the Mercer Pensions Administrations Team and should be invested / disinvested as follows:

<b>Fund Name</b>	<b>Weight %</b>
Baillie Gifford Diversified Growth Fund	25.0
Thread Life Multi Asset Fund	25.0
Ninety One Global Total Return Credit Fund	50.0
<b>Total</b>	<b>100.0</b>

Any amounts over £150,000 will be referred to Mercer as Investment Adviser, who will advise the Trustee on a suitable investment arrangement.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

## LDI Recapitalisation

The Trustee notes that the LDI managers may require additional assets from time to time in order to support the operation of the LDI funds or may release assets from time to time. The Trustee has put in place a policy regarding this recapitalisation / release procedure which is: investments and disinvestments to be instructed in the following proportions:

<b>Fund Name</b>	<b>Weight %</b>
Baillie Gifford Diversified Growth Fund	25.0
Thread Life Multi Asset Fund	25.0
Ninety One Global Total Return Credit Fund	50.0
<b>Total</b>	<b>100.0</b>

# APPENDIX 3: INVESTMENT MANAGER INFORMATION

The tables below show the details of the mandate(s) with each manager.

## GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP Class
<b>Growth – Liquid</b>				
<b>Baillie Gifford</b> Diversified Growth	Bank of England Base Rate	To outperform the benchmark by 3.5% p.a. net of fees over a rolling 5 year period	Daily	Level 2
<b>Threadneedle</b> Multi Asset Fund	Bank of England Base Rate	To outperform the benchmark by 4.0% p.a gross of fees, over the economic cycle (expected to be 5-7 years)	Daily	Level 2
<b>Ninety One</b> Global Total Return Credit Fund	SONIA	To outperform the benchmark +4% (gross of fees) over a full credit cycle	Daily	Level 2
<b>Mercer</b> Private Investment Partners VI SICAV-SIF	n/a	To achieve cash + 3% - 5% p.a net	Closed End Fund with Fund Term of 12 years from final closing date.	Level 3
<b>Mercer</b> Absolute Return Fixed Income Fund	FTSE GBP 1 Month Euro Deposit	To achieve a positive total return	Daily	Level 2

## STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP Class
<b>Stabilising – LDI</b>				
<b>BMO</b> Equity Linked Real Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide liability hedging by offering interest rate and inflation protection which replicates the benchmark, and to provide exposure to global equities on a primarily hedged basis	Daily	Level 2
<b>Insight</b> Real LDI	A typical pension fund's liability cash flows, as determined by the Manager, (specific duration targeting)	To outperform the change in the present value of the liability benchmark over the long term.	Daily	Level 2
<b>Insight</b> Nominal LDI	A typical pension fund's liability cash flows, as determined by the Manager, (specific duration targeting)	To outperform the change in the present value of the liability benchmark over the long term.	Daily	Level 2
<b>Insight</b> Managed Buy and Maintain	Fund-specific IBoxx GBP Corporate Bond Index	To generate a return for investors by investing primarily in a portfolio of debt securities	Daily	Level 2

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers.

# APPENDIX 4: RESPONSIBILITIES OF PARTIES

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## TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the Investment Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Sponsoring Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis
- Setting of strategic objectives for the Investment Adviser. The objectives will be reviewed at least every three years or after any significant change in investment policy. The Investment Adviser will be assessed against these objectives on an annual basis.

## INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the Investment Managers' organisation could affect the interests of the Scheme
  - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

## INVESTMENT MANAGERS

The responsibilities of the underlying investment managers through the Mobius Platform include:

- Informing the Platform provider of any changes in the internal performance objectives and guidelines of their funds;
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments;
- Managing their funds in accordance with their stated mandates.

The underlying investment managers for the Scheme are not directly appointed by the Trustees and therefore do not have any direct responsibility to the Trustees.

## SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

## ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions