

The Pension and Life Assurance Plan of NG Bailey

Statement of Investment Principles (“SIP”)

March 2022

Purpose of this Statement

This Statement of Investment Principles (‘the statement’) sets out the principles governing decisions about investments for The Pension and Life Assurance Plan of NG Bailey (‘the Plan’). This statement has been prepared in accordance with the requirements of Section 35 and 36 of the Pensions Act 1995, as amended and The Occupational Pension Schemes (Investment) Regulations 2005. This statement also details the Trustee’s compliance with the Myners Code of Best Practice.

The Plan’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Plan’s investment strategy and investment manager arrangements are set out in Appendix C.

Plan Details

The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries.

Members of the Plan are contracted-out of the State Second Pension under the Pension Schemes Act 1993. Approval to that effect has been obtained from HM Revenue and Customs.

The Plan is a Registered Pension Scheme for the purposes of the Finance Act 2004.

Governance

The Trustee of the Plan makes all major strategic decisions including, but not limited to, the Plan’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee’s investment advisers, Isio Group Limited, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Plan.

The division of responsibilities for the Trustee and its advisers is included in Appendix B.

Investment objectives

The Trustee invests the assets of the Plan with the aim of ensuring that all members' current and future benefits can be paid. The Plan's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Plan's circumstances. The Plan's funding target is specified in the Statement of Funding Principles.

The Plan's present investment objective is to achieve a return of around 2.4% per annum above the return on a liability matching portfolio of UK Government bonds.

Investment strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Plan's investment strategy.

The Plan's investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Plan's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Plan, and also the strength of the sponsoring company's covenant. The Trustee considered the merits of a range of asset classes.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The long-term objective of the Trustee is to fully discharge all Plan liabilities with an insurer(s). The Trustee has already completed several partial buy-in transactions of the pensioner liabilities. The Trustee will consider additional transactions over time if it deems these to be appropriate relative to the long-term objective.

The assets of the Plan consist predominantly of investments which are traded on regulated markets. This Statement of Investment Principles considers the non-insurance assets given the buy-in transactions can largely be considered to fully match the liabilities covered through the relevant transactions.

Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Plan as listed in Appendix C. The investment managers are regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee expects its investment managers, who have responsibility for undertaking engagement activity and exercising rights, to adhere to their published policies on such matters and to act in accordance with current best practice.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee takes into account all matters which it considers will have an impact on risk-adjusted returns for the Plan and which it therefore deems to be financially material. This may include but is not limited to environmental, social and governance (ESG) considerations and climate change. Investment manager's published policies on ESG, stewardship and engagement are taken into account as well as the performance targets on which the investment managers are evaluated. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Plan's assets are invested in pooled vehicles, the custody of the holdings are arranged by the investment managers.

Investment Manager Monitoring and Engagement

The Trustee monitors and engage with the Plan’s investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"> The Trustee receives a quarterly performance dashboard which details information on the underlying investments’ performance, strategy and overall risks, which are considered at the relevant Trustee meeting. 	<ul style="list-style-type: none"> There are significant changes made to the investment strategy. The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee’s expectations. Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> The Trustee can request information from their investment managers on how they have engaged with issuers regarding social, environmental and corporate governance issues. 	<ul style="list-style-type: none"> The manager has not acted in accordance with their policies and frameworks.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies where appropriate. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager’s appointment and may consider terminating the arrangement.

The Trustee will consider the views of the Plan members when making investment policy decisions if it deems these are appropriate.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Plan’s total asset value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Additional Voluntary Contributions ('AVCs')

A facility is provided for members to pay AVCs via the Plan to enhance their benefits at retirement. The Trustee's objective is to provide funds which will provide a suitable long term return for members, consistent with members' reasonable expectations. The Trustee's policy is to seek to achieve the objective through investment options offering a suitable mixture of different asset types.

The Trustee considers that the with-profits insurance policies offered meet the requirements for diversification between different asset types and are appropriate for some members' AVC payments. The Trustee also offers members the option to invest AVCs in a range of funds with ReAssure.

The Trustee monitors the investment performance and will review the appropriateness of the arrangements for AVCs from time to time.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed: *WPS Trustee Services Limited, acting as Trustee of The Pension and Life Assurance Plan of NG Bailey*

Date: *April 2022*

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Plan's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Plan's funding basis and the sponsoring company's covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	<ul style="list-style-type: none"> When developing the Plan's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Plan is exposed to is at an appropriate level for the covenant to support.

The Plan is exposed to a number of underlying risks relating to the Plan's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustee aims to hedge this risk both directly and indirectly where it is deemed appropriate and affordable.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI mandate.

Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified to avoid over-reliance on any one asset class.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	For existing and any new investment manager appointments to satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting The Trustee monitors the investment managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Hedge an appropriate level of currency risk across the portfolio where it is deemed appropriate and affordable to do so, taking into account the context of the wider Plan risks.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters, such as reputational risks, are taken into account in the selection, retention or realisation of investments where it is deemed appropriate.

Appendix B – Division of responsibilities

The Trustee has ultimate responsibility for decision making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

Trustee

The Trustee's responsibilities include:

- Reviewing annually the content of this Statement of Investment Principles and modifying it, if deemed appropriate, after taking appropriate advice.
- Reviewing the investment policy following the results of each actuarial valuation and/or asset liability modelling exercise.
- Appointing the investment managers and custodians.
- Consulting with the Company before amending this statement.
- Assessing the quality of the performance and processes of the investment managers by means of regular, but not less than annual, reviews of the investment results and other information.
- Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

Investment managers

The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Plan's long term objectives, and an acceptable level of risk. As part of this process, the Trustee has delegated the detailed monitoring of the Plan's investment managers to its Investment Consultant.

The investment managers' responsibilities include:

- At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class.
- Providing the Trustee with quarterly statements of the assets along with a quarterly report on the results of the past investment strategy.
- Having regard to the need for diversification of investments, so far as appropriate, and to the suitability of investments.
- Giving effect to the principles contained in this Statement as far as reasonably practicable.
- Reporting in person at Trustee's meetings as required.

Professional Advisers

The Trustee notes the Myners principle of separate competition for actuarial and investment contracts. However, the Trustee believes that the current arrangement (using a single advisory firm for both actuarial and investment advice) has certain advantages for the Plan. The Trustee will continue to keep these arrangements under review.

Investment Consultant

The Investment Consultant's responsibilities include:

- Participating with the Trustee in annual reviews of this Statement of Investment Principles.
- Advising the Trustee, as requested, on:
 - How any changes within the Plan's benefits, membership and funding position may affect the manner in which the assets should be invested (through consultation with the Plan Actuary).
 - How any changes in the investment managers' organisation or ownership could affect the interests of the Plan.
 - How any changes in the investment environment could either present opportunities or problems for the Plan.
- Undertaking project work as requested including:
 - Reviews of asset allocation policy.
 - Research reviews of investment managers.
- Advising on the selection of new managers.

Plan Actuary

The Plan Actuary's responsibilities include:

- Liaising with the Investment Consultant on the suitability of the Plan's investment policy given the financial characteristics of the Plan.
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall.
- Performing the triennial (or more frequently, as required) valuations and advising on appropriate contribution levels.

Appendix C

Strategic asset allocation split by fund manager:

Fund Manager	Strategic Benchmark & Control Ranges	Asset Class	Manager Benchmark
LGIM	70% ² +/- 10%	Synthetic Leveraged Equity ¹	Markit MSCI World Index
		Synthetic Leveraged Equity (GBP Hedged) ¹	Markit MSCI World Index - GBP Hedged
		Global Diversified Credit	Composite - 40% blended 50/50 benchmark comprising the JPM EMBI Global Diversified 3-5 Years Index (sovereign) and the JPM CEMBI Diversified 3-5 Years Index (corporate), - 40% Bank of America Merrill Lynch Global High Yield BB-B Rated 2% Constrained Ex-Financial Index and - 20% Bloomberg USD/EUR/GBP Corporates 1% issuer capped
		Buy and Maintain Corporate Bonds	-
		Liability Driven Investment (“LDI”)	The allocation is managed on a passive basis, whereby the objective is to match, rather than exceed the performance of the nominated liability-based benchmark.
		Sterling Liquidity	SONIA
LGIM	15% +/-5%	Diversified Growth	FTSE Developed World Index - 50% GBP Hedged
BlackRock		Diversified Growth	3 Month SONIA
Apollo	15% +/-5%	Semi-Liquid Credit	1 Month SONIA
CBRE	-	Balanced Property	MSCI/ AREF UK QFPI All Balanced Property Fund Index
Total	100.0		

¹ The combined allocations to synthetic leveraged equity and synthetic leveraged equity (GBP hedged) targets a 15% notional exposure of total Plan assets excluding annuities.

2. The combined Synthetic Equity, Credit and LDI mandate is expected to generate returns of Gilts + 1.0% p.a.

Note: the Plan has a legacy holding to a Balanced Property Fund managed by CBRE which is in the process of winding down and returning capital as underlying assets are realised. Therefore, while not part of the strategic asset allocation, the Plan is expected to hold assets in the Fund until it has fully returned capital.

The Plan invests in non-insurance assets in line with the above, with the aim of generating a return of around 2.4% per annum above the return on a liability matching portfolio of UK Government bonds.

Appendix D

The Trustee has the following policies in relation to the investment management arrangements for the Plan:

<p>How the investment managers are incentivised to align their investment strategy and decisions with Trustee policies.</p>	<ul style="list-style-type: none"> • As the Plan is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with Trustee policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.
<p>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with Trustee policies.</p>	<ul style="list-style-type: none"> • The Trustee reviews the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • Investment manager fees are reviewed to make sure the correct amounts have been charged and that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Plan's arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The duration of the arrangements is considered in the context of the type of fund the Plan invests in. <ul style="list-style-type: none"> ○ For closed ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with Trustee objectives and Plan's liquidity requirements. ○ For open ended funds, the duration is flexible, and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.