WR Swann & Co. Limited Retirement Benefits Scheme ("the Scheme") Statement of Investment Principles

Investment Objective

The Trustees aim to invest the assets of the Scheme prudently to ensure that the benefits accrued to members are provided. In setting the investment strategy, the Trustees considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy that has been selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

STRATEGY

The Trustees have allocated the Scheme's assets between two portfolios, described as "Growth" and "Matching", in order to meet the objective outlined above.

"Growth" assets target a higher expected return than that of risk reducing/matching assets and tend to have a higher associated volatility, relative to liabilities. These assets would typically involve equities and could possibly include alternative asset classes such as different types of absolute return and hedge funds, active currency, infrastructure, private equity, commodities and property funds.

"Matching" assets have characteristics that are broadly similar in nature to the liabilities. These assets are predominantly bonds and could also possibly include other financial instruments such as interest rate and inflation swaps (e.g. so-called 'Liability Driven Investment' pooled funds.) The matching asset portfolio aims to protect the Scheme's funding position against changes to interest rates and inflation expectations. The target level of hedging from the matching portfolio is 100% of the Scheme's asset value. The Trustees regularly review the level of hedging provided by the matching asset portfolio.

The accompanying Summary of Investment Arrangements includes the details of the exact nature of the "Scheme's assets.

The investment strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustees' policy is to make the assumption that equities will outperform gilts over the long term and that active fund management can be expected to add value. However, the Trustees recognise the potential volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set.

When choosing the Scheme's planned investment strategy the Trustees considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements. The Trustees have taken written advice on the Statement from their investment advisers.

RISK MEASUREMENT AND MANAGEMENT

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks that have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using two fund managers, the Trustees' policy is to monitor, where possible, these risks quarterly. The Trustees receive quarterly reports showing:

- Performance of the Scheme's assets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

IMPLEMENTATION

Aon Solutions UK Limited has been selected as investment adviser to the Trustees for the purpose of advising on the "matching" portfolio. It operates under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Aon Solutions UK Limited is paid an agreed annual fee for services needed on a regular basis. Some one-off projects fall outside the annual fee and the fees for these are negotiated separately. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate to the relevant fund managers through written contracts. When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The fund manager structure and investment objectives for each are outlined in the Scheme's Summary of Investment Arrangements.

GOVERNANCE

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. Accordingly, the Trustees have established the following decision making structure:

Trustees • Prepare and monitor compliance with this Statement of Investment Principles. • Monitor actual returns versus the Scheme's investment objectives. • Select and monitor strategic asset allocation. • Select and monitor fund managers, including direct investments (see below). • Select and monitor investment advisors. • Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.
Investment Consultant • Advises on all aspects of the investment of the Scheme assets, including implementation. • Advises on this statement. • Provides required training. • Assist with cost monitoring.
Asset Managers • Operate within the terms of this statement and their written contracts. • Select individual investments with regard to their suitability and diversification. • Advise the Trustees on suitability of the indices in its benchmark. • Take into account socially responsible investment criteria, including ESG factors and climate change.

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The fund managers are remunerated on an ad valorem basis and in addition they pay commissions to third parties on many trades that they undertake in the management of the assets, as well as other ad hoc costs. Appropriate arrangements are in place with each of the managers for independent custody of the investments.

Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, for example the purchase of an insurance policy or units in a pooled vehicle. The latter are known **as direct investments.**

The Trustees' policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries.
- Security.
- Quality.
- Liquidity.
- Profitability.
- Nature and duration of liabilities.
- Tradability on regulated markets.
- Diversification.
- Use of derivatives.

Arrangements with asset managers

The Trustees regularly monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustees' policies. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment consultant.

The Trustees share the policies, as set out in this SIP, with the Scheme's asset managers, and request that the asset managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new asset manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express its expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

Policy on assessing performance and monitoring costs

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their asset managers including turnover costs (i.e. the costs incurred when the assets managers buy and sell underlying investments).

The Trustees benchmark the Scheme's asset managers' cost and performance data against the industry periodically, to assess the value for money being provided and to consider whether the services being provided are in line with the Trustees' policies.

The Trustees ask all of the asset managers annually to provide full details of the costs incurred in managing the Scheme's assets. Where these costs are out of line with expectations, the asset managers will be asked to explain the rationale, including why it is consistent with their strategy and the extent they expect it to continue in the future.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency, the mandate will be reviewed.

Environmental, Social and Governance Issues

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and

- exercise the Trustees' voting rights in relation to the Scheme's assets.

The Trustees regularly review the continuing suitability of the appointed managers and take advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in this policy, the Trustees undertake to engage with the manager and seeks a more sustainable position but may look to replace the manager.

The Trustees review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Scheme's asset managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner.

The Trustees expect transparency from their investment managers with respect to their voting activities where this is relevant. This includes their voting actions and rationale, in particular where votes were cast against management, votes against management generally were significant, votes were abstained or where voting differed from the voting policy of the asset manager.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustees do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"1).

Review of this Statement of Investment Principles

The Trustees will review this document at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes that are made.

For and on behalf of the WR Swann & Co. Limited Retirement Benefits Scheme:

Signature

Michael Hurst

Trustee Name

14 - 9 - 2020

Date

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018