Currie & Warner (Holdings) Limited Retirement and Death Benefits Scheme

Statement of Investment Principles

Barnett Waddingham LLP

31 January 2024

1. Introduction

1.1. This Statement of Investment Principles has been prepared by the Trustee of the Currie & Warner (Holdings) Limited Retirement and Death Benefits Scheme ('the Scheme'). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement, the Trustee consulted Currie & Warner (Holdings) Limited ('the Employer') acting on behalf of all participating employers, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

1.3. The investment powers of the Trustee are set out in the Trust Deed and Rules dated 5 April 2006, as amended. This statement is consistent with those powers.

1.4. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and scheme funding legislation.

1.5. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.6. This Statement is primarily concerned with the Scheme's assets that support liabilities not already backed with annuity contracts, i.e. the Scheme's 'non-insured liabilities'.

2. Choosing investments

2.1. The Trustee's policy is to set and keep under review a target asset allocation expected to meet the Scheme's financial and non-financial objectives. In doing so, the Trustee considers the advice of their professional advisers. The Trustee considers Barnett Waddingham LLP to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to professional investment managers. Any investment managers used by the Scheme are authorised and regulated by either the Financial Conduct Authority and/or the Prudential Regulation Authority.

2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has agreed key investment objectives in light of an analysis of:

- the Scheme's projected liability profile;
- an understanding of the relationship that exists between the value of investments and the actuarial value placed on the liabilities; and,
- any constraints the Trustee faces in meeting particular objectives.

3.2. The Trustee's main investment objectives are set out below:

- To maintain a level of assets that, together with the support of the Employer, meet the members' entitlements under the Trust Deed and Rules when they fall due.
- To use the investment strategy to appropriately constrain volatility in the Scheme's funding position relative to an estimate of the cost of securing its liabilities with a regulated UK insurer.
- To invest any surplus assets not needed to meet the above objectives in a way that is consistent with the risk capacity and tolerance of the Trustee, after consulting the Employer.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternative asset classes. The Scheme is also permitted to invest in approaches that utilise derivatives such as swaps and gilt repurchase agreements.

4.2. There is currently no investment made by the Scheme in the Employer, nor in any employer-related business, and none is intended.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected, in combination, to achieve the Trustee's objectives.

5.2. The Trustee considers the merits of different styles of investment management for the various elements of the portfolio.

5.3. From time to time the Scheme may hold cash as a working balance or for tactical reasons, and deviate from the target asset allocation in order to accommodate short-term cashflow requirements or other events.

5.4. The Trustee may also hold insurance policies such as deferred or immediate annuities that provide income to the Scheme, matching part or all of the liabilities due from it.

5.5. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time. The Scheme's asset allocation is expected to change as the liability profile matures and/or as the Trustee's objectives are reached.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme, associated with its investment holdings and the nature of its liabilities, and considered ways of managing/monitoring these risks:

Risk relative to the valuation of the Scheme's liabilities	The Trustee will monitor and review the investment strategy with respect to the characteristics of the Scheme's liabilities at each triennial actuarial valuation. Such characteristics include interest rate risk, inflation risk and longevity risk. The investment strategy will be set with consideration to the risks associated with these characteristics in the context of the Trustee's agreed funding plan and allowing for the Trustee's view of covenant risk.
Return volatility for assets that are not used to hedge changes in the value of the Scheme's liabilities	The Trustee recognises that the returns from the Scheme's holdings may be volatile and seeks to manage the risk of falls in the value of the portfolio (outside of assets used to hedge changes in the value of the liabilities), through the use of diversification and active management, as appropriate. The Trustee would typically aim to avoid being unnecessarily exposed to market volatility, subject to: the investment strategy's expected return being consistent with the Trustee's funding plan; the associated level of risk being consistent with the Trustee's view of covenant risk; and the Trustee's and Employer's view on risk tolerance and capacity for the investment of surplus assets not expected to be used to purchase a bulk annuity contract in respect of non-insured liabilities.
Covenant risk	In determining their investment objectives and strategy, the Trustee considers the ability and legal obligation of the Employer to support the Scheme.
Asset allocation risk	Any deviation from the target asset allocation is monitored on a regular basis by the Trustee.
Manager performance risk	The Trustee monitors the performance of the Scheme's investment holdings on a regular basis and will seek meetings with the relevant manager where it is felt that such engagement will help resolve performance concerns or add necessary understanding of the processes the manager is employing.
Concentration risk	Investment managers used by the Scheme are expected to manage broadly diversified portfolios and to spread assets across individual securities, if appropriate to the mandate.
Liquidity risk	The Scheme invests in asset classes such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Trustee assesses the level of cash held in order to limit the impact of the cashflow requirements on the investment strategy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed, as appropriate, to manage the impact of exchange rate fluctuations.

Loss of assets	The risk of loss of assets by an investment manager and any associated custodians is considered on appointment and reviewed periodically by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).
Environmental, Social and Governance (ESG) related risks, including climate risks	ESG-related risks, including climate risk, are potentially financially material risks across all future time periods. The Trustee will consider such risks alongside other factors when selecting or reviewing the Scheme's investments, in order to reduce the risk of loss and, where appropriate, to take associated opportunities. Asset managers used by the Scheme are expected to undertake good stewardship and positive engagement in relation to the underlying securities held, as appropriate. The Trustee monitors these and will report on the manager practice in the annual Implementation Statement.
Buyout pricing mismatch	The Scheme is in a position where it could secure all member benefits with an insurer ('buyout') in the near term. The target asset allocation has been set with an expectation that it will limit volatility in the funding ratio relative to the estimated cost of securing the Scheme's non-insured liabilities with an insurer as market conditions change. As the Scheme moves closer to being able to secure member benefits with an insurer, the efficacy of the strategy will continue to be reviewed. The Trustee acknowledges that until the point when terms are agreed with a specific insurer, there will always be an element of buyout price mismatching risk and a correspondingly pragmatic approach needs to be taken.

7. Expected return on investments

7.1. In setting its investment strategy, selecting asset classes and investment managers, the Trustee has regard to the investment return that each asset class is expected to provide alone and in combination. The Trustee is advised by its professional advisors on these matters, who they deem to be appropriately qualified experts.

7.2. The Trustee expects the Scheme's assets held to match buyout pricing for its non-insured projected liabilities to produce a return broadly in line with changes in the cost of purchasing a bulk annuity contract in respect of these liabilities (excluding reserves required for other items such as benefit equalisation, expenses or supply/demand adjustments to insurer pricing, which will typically be backed by low-risk cash-like assets). The expected return for any additional assets will be determined based on the risk tolerance agreed between the Trustee and Employer from time to time.

8. Realisation of investments

8.1. The Trustee makes disinvestments from the investment managers with the assistance of their advisers, as necessary, to meet the Scheme's cashflow requirements.

9. ESG-related risks, views of members, the exercise of voting rights, engagement activities, manager incentivisation and conflicts of interest

9.1. The Trustee has set policies in relation to these matters. These are set out in **Appendix 1**.

10. Monitoring

10.1. The Trustee employs their investment consultant to assist it in monitoring the performance of the Scheme's investment strategy and investment managers.

10.2. The Trustee receives regular reports from its investment advisers and meets with their representatives periodically to review their investment performance and processes.

10.3. The Trustee and its advisers will monitor any investment manager's performance against their stated performance objectives.

10.4. The appropriateness of any investment managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

10.5. The Trustee expects the investment managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions. As the Trustee exclusively uses pooled funds, the Trustee does not set a specific portfolio turnover target for their strategy or the underlying funds.

10.6. The Trustee will consider on a regular basis whether or not the investment managers and similar providers remain appropriate to continue to manage the Scheme's investments.

11. Agreement

11.1. This statement was agreed by the Trustee and replaces any previous similar statements on investment principles.

This Statement of Investment Principles was approved by the Trustee of Currie & Warner (Holdings) Limited Retirement and Death Benefits Scheme on 31 January 2024.

Appendix 1: ESG-related risks, views of members, the exercise of voting rights, engagement activities, manager incentivisation and conflicts of interest

1. ESG-related risks (including climate change)

The Trustee recognises that Environmental, Social and Governance ('ESG') issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the investment manager. The Trustee has an expectation that the investment manager will, as appropriate, consider ESG issues in selecting securities and other investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

In choosing investment managers, the Trustee and its advisers take the following factors into account in the selection, retention and realisation of investments:

Selection of investments: assessment of the investment managers' ESG integration credentials and capabilities, including stewardship.

Retention of investments: developing a process to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: requesting information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

As appropriate, the Trustee takes these factors into account as part of its investment process to determine a strategic asset allocation and considers them as part of ongoing reviews of the Scheme's investments.

The Trustee does not currently impose any specific restrictions on its investment manager with regard to ESG issues but will review this position from time to time. The Trustee receives information from the investment manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee will continue to monitor market developments in this area in conjunction with its investment adviser.

2. Views of Members and Beneficiaries

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues (referred to as 'non-financial matters' in the relevant regulations). The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy.

3. Engagement activities and the exercise of voting rights

Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the investment manager. The Trustee can therefore only influence engagement and voting policy indirectly.

Where applicable, the Trustee expects that the investment manager will use its influence as an institutional investor to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The investment manager provides information to the Trustee on its actions in relation to engagement and use of voting rights. The Trustee is therefore aware of the policies adopted by the investment managers.

4. Incentivisation arrangements with investment managers

The investment manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund. The Trustee does not directly incentivise the investment manager to align the approach it adopts for a particular fund with the Trustee's policies and objectives. Instead, the investment managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

Neither does the Trustee directly incentivise the investment managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issuers to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

5. Conflicts of interest

Subject to reasonable levels of materiality, the Trustee records any actual or potential conflicts of interest they may have in relation to investee companies or the investment manager, while also setting out a process for their management.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, together with FCA-regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects any investment managers used by the Scheme to have a conflicts of interest policy in relation to their engagement and ongoing operations.

The Trustee therefore believes they have managed the potential for conflicts of interest in the appointment of their investment advisers and investment managers, and conflicts of interest between the Trustee, investment advisor, investment managers and investee companies.

Appendix 2: Currie & Warner (Holdings) Limited Retirement and Death Benefits Scheme – investment implementation policy

1. The target asset allocation

The Scheme's target asset allocation is set out in the table below.

This has been agreed after considering the Scheme's liability profile, funding position, risk and return requirements and the need for an appropriate level of diversification.

Asset class	Target Asset Allocation
Assets backing the estimated buyout value of non-insured projected liabilities*	**100%**
Investment grade corporate bonds	35%
Gilts and index-linked gilts	65%
Assets backing other reserves	**100%**
Liquidity holdings – cash and money market assets	100%
Surplus assets**	**100%**
Liquidity holdings – cash and money market assets	100%

*The Trustee holds a portfolio of annuities that produce income to match specific pensioner liabilities – these are the Scheme's 'insured liabilities' as opposed to the 'non-insured' liabilities that are the focus of the target asset allocation for the invested assets

**At the time of preparation of this policy, the Trustee also held a small amount in a global equity index tracker (less than 0.01% of Scheme assets)

As the assets backing the estimated buyout value of the Scheme's projected liabilities are expected to move broadly in line with market pricing, there is no automatic rebalancing between these assets. Rather, the portfolio is reviewed periodically to check its characteristics continue to align with those of the buyout liability measure.

2. Hedging ratios

The target hedging ratios against interest rate risk and inflation risk are as follows.

Funding measure against which hedges are determined	Estimated buyout value of projected liabilities, excluding additional reserves for equalisation, expenses and supply/demand adjustments
Hedge set relative to liability measure or asset value?	Liability measure
Target hedging ratio against interest rate risk	100%, with a tolerance range of ±5%
Target hedging ratio against inflation risk	100%, with a tolerance range of ±5%

3. Strategies used

The Trustee has appointed the following investment manager, through its contractual arrangements with Legal and General Assurance (Pensions Management) Ltd, to carry out the day-to-day investment of the Scheme's assets.

- Legal & General Investment Management ('LGIM').

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

Asset class	Fund	Objective
Investment Grade Corporate Bonds	LGIM AAA-AA-A Corporate Bond Over 15 Year Index Fund	To track the performance of the Markit iBoxx £ Non-Gilts (ex BBB) Over 15 Years Index to within +/-0.5% p.a. for two years out of three.
Gilts	LGIM Over 15 Year Gilts Index Fund	To track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three.
Gilts	LGIM 2071 Gilt Fund	To track the performance of the Treasury 1.625% 2071 Gilt to within +/-0.25% p.a. for two years out of three.
Index-Linked Gilts	LGIM Over 15 Year Index-Linked Gilts Index Fund	To track the performance of the FTSE Actuaries UK Index Linked Gilts Over 15 Years Index to within +/-0.25% p.a. for two years out of three.
Cash	LGIM Sterling Liquidity Fund	To provide diversified exposure and a competitive return in relation to SONIA (Sterling Overnight Index Average).

4. Use of investment platform

The funds strategies used are all accessed through LGIM's Investment-only Platform ('IoP').

5. Investment management charges

The fees paid by the Scheme are recorded in the contracts agreed between the Trustee and the investment managers, through the IoP.

6. Remuneration of investment consultant

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham is remunerated on a mixture of pre-agreed fixed fees and time-cost rates.