

September 2021

Ian Williams Pension Fund

Statement of Investment Principles

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Introduction

This statement is prepared by the Trustees in accordance with the requirements of section 35 of the Pensions Act 1995. It sets out the principles governing decisions about the investments of the Ian Williams Pension Fund (the “Fund”).

Whilst preparing this statement, the Trustees have obtained and considered appropriate professional advice from the Scheme Actuary and its Investment Adviser and have also consulted with the sponsoring Company.

Nature of the Fund

The Fund has operated on a career average basis since 1st April 2004 and on a final salary basis prior to that, with the benefits calculated under specified formulae. It is subject to the funding requirements set out in the Pensions Act 2004 and the Trustees receive advice from the Scheme Actuary on its funding obligations and their implications.

Investment Strategy

The principal objective is to ensure that sufficient funds are available to provide benefits as and when they fall due. Subject to this principal objective, the Trustees’ aim is to maximise the long-term investment performance of the Fund having due regard to the nature and liabilities of the Fund.

In setting the investment strategy, the Trustees have given careful consideration to the factors set out in Appendix A. The considerations include the nature and duration of the Fund’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios), and also the strength of the sponsoring Company’s covenant. The Trustees considered the merits of a range of asset classes.

The Trustees’ policies in relation to the investment management arrangements for the Fund are detailed in Appendix B.

The long-term investment strategy adopted by the Trustees is driven by the liability make-up of the Fund. Liabilities in respect of members’ benefits that are not yet payable are linked to future RPI growth. The Trustees consider it appropriate to match these liabilities with equity type investments as this is likely to maximise long term investment potential.

For liabilities arising from member benefits in payment, the Trustees consider it appropriate in the long term to use assets of a fixed interest nature, such as government bonds and liability-driven investments, as this reflects the nature of the liability. These assets usually have a lower long-term growth potential than equity based investments. The Trustees regularly discuss the investment strategy and take advice from the Scheme Actuary and Investment Adviser. The liability make-up of the Fund is constantly changing and consequently the investment classes need to be realigned to reflect this.

Investment Management

The investments are made through a platform provider. With advice, the Trustees will select underlying funds from the platform to implement the chosen strategy. The platform provider will be responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustees, adjusted as necessary from time to time;
- Providing the Trustees with quarterly performance reports and asset valuations;
- Providing any initial asset transition plan for the Investment Consultant to review; and
- Asset rebalancing and meeting cashflow requirements, when required.

The Trustees have selected several funds on the platform in which to invest the underlying assets of the Fund. The Investment Managers and platform provider 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 the platform provider. 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;
- Rebalancing of the liability driven investment funds and the reinvestment of any outflows.

The Trustees take Investment Managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the Investment Managers are evaluated on. The Investment Managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The platform provider's and Investment Managers' remuneration is based upon a percentage value of the assets under management.

As the Fund's assets are invested in pooled vehicles, the custody of the holdings is arranged by the underlying Investment Managers.

Compliance and Monitoring

The Investment Managers will be required to comply with the principles contained within this statement in seeking to achieve the objectives of the Fund so far as reasonably practical. The Trustees have regard to the need for diversification of investments and to the suitability of types of investment and individual investments within each type to the Fund.

The Trustees will review the distribution of assets and the performance of the Fund on at least an annual basis. The Trustees will obtain sufficient information from their Investment Adviser, Investment Managers and platform provider to enable them to carry out this review. The Trustees will obtain information from the administrators of the Fund to enable them to review the returns on cash deposits and make changes as appropriate.

The performance of the Investment Managers will be reviewed by the Trustees on at least an annual basis, in terms of compliance with this statement and general competence. If the

Trustees are not satisfied with the performance of an Investment Manager, they may appoint a new Investment Manager.

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 Trustees consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Approved: September 2021

Appendix A Risks, Financially Material Considerations, Non-Financial Matters and Stewardship

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

The Trustees adopt an integrated risk management approach. The three key risks associated with this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Fund'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 Fund'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 Fund 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 Trustees 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 Fund.	<ul style="list-style-type: none"> When developing the Fund's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Fund is exposed to is at an appropriate level for the covenant to support.

Financially material considerations

The Fund is exposed to a number of underlying risks and financially material considerations relating to the Fund's investment strategy. The Trustees' policies in respect of these issues, including how financially material considerations are taken into account in the selection, retention and realisation of investments, while the Fund's investments are required to fund the future benefits, are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Fund's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge a proportion of these risks through the bond portfolio and liability driven investment (LDI) portfolio.

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).
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
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.
Environmental, Social and Governance ("ESG")	Exposure to ESG factors, including but not limited to climate change, which can affect the performance of the Fund's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion: <ol style="list-style-type: none"> 1. Responsible Investment Policy / Framework 2. Consideration of ESG factors integrated into investment process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. Signatory to the United Nations Principles of Responsible Investing. The Trustees monitor the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	To remain appropriately diversified by investing in a range of currencies.

Non-financial matters

Non-financial matters are any factors which are not expected to have a financial impact on the Fund's investments. It is the Trustees' policy to not take non-financial matters into account in the selection, retention or realisation of investments.

Stewardship of investments

The Trustees' policy in relation to the stewardship of its investments is set out below.

All decisions about the day-to-day management of the assets have been delegated to the underlying Investment Managers. 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 Trustees take Investment Managers' policies on the above matters into account when selecting and monitoring managers. The Investment Managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The Trustees monitor and engage with the Fund's Investment Managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with Investment Managers.

Performance, Strategy and Risk

Method for monitoring and engagement

- The Trustees receive performance reports regularly throughout the year which details information on the performance of the underlying investments, strategy and overall risks, which are considered at the relevant Trustee meeting.
- The Fund's Investment Adviser is invited annually to present to the Trustees on the performance, strategy and risk exposures of the underlying Investment Managers.

Circumstances for additional monitoring and engagement

- 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 Trustees' expectations.
- Underperformance vs the performance objective over the period that this objective applies.

Environmental, Social, Corporate Governance factors and the exercising of rights

Method for monitoring and engagement

- The Trustees receive information from its Investment Adviser on the platform provider's approach to engagement.

Circumstances for additional monitoring and engagement

- An underlying manager has not acted in accordance with its policies and frameworks.
- An underlying manager's policies are not in line with the Trustees' policies in this area.

Through the engagement described above, the Trustees will work with the Investment Managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant Investment Manager's appointment and will consider terminating the arrangement.

Appendix B Investment Manager Arrangements

The Trustees have the following policies in relation to the investment management arrangements for the Fund:

<p>How the Investment Managers are incentivised to align their investment strategy and decisions with the Trustees policies.</p>	<ul style="list-style-type: none"> As the Fund is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest 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 Trustees review the Investment Mangers' performance relative to the medium and long- term objectives of the funds. The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of Investment Managers' performance and the remuneration for their services are in line with the Trustees policies.</p>	<ul style="list-style-type: none"> The Trustees review the performance of all of the Fund's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
<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 Trustees do 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 Fund's arrangements with the Investment Managers</p>	<ul style="list-style-type: none"> The duration of the arrangements is flexible and, from time-to-time, the Trustees will consider the appropriateness of the investments and whether they should continue to be held.