PICKERINGS LIMITED RETIREMENT BENEFITS PLAN

STATEMENT OF INVESTMENT PRINCIPLES

MARCH 2024

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Pickerings Limited Retirement Benefits Plan (“the Plan”) 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 Plan 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 (“Mercer”), 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 Plan.

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

The Trustees’ key objective for the Plan’s investment strategy is to reduce risk ahead of any decision to undertake a buy-in (ahead of a full buy-out) of the Plan’s liabilities with an insurance company.

Furthermore, the Trustees seek to ensure that the assets are sufficiently liquid to meet the liabilities, as and when they fall due.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that its investment objectives and the resultant investment strategy are consistent with the requirements of the Scheme Funding actuarial valuation.

3 INVESTMENT RESPONSIBILITIES

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

- The regular approval of the content of the Statement
- The appointment and review of the investment adviser
- The assessment and review of the performance of the investment manager
- The choice of appropriate pooled funds
- The assessment of the risks assumed by the Plan at total Plan level
- The approval and review of the asset allocation benchmark for the Plan
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the independent investment adviser to the Plan. 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, as and when required, include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Advising on investment managers that are suitable to meet the Trustees' objectives
- Setting 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, the Trustees recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions. However, there is no responsibility placed on Mercer to be proactive in all circumstances.

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 Plan that might affect the impartiality of their advice.

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

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

3.3 INVESTMENT MANAGER'S 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, have appointed a professional, authorised investment manager to manage the assets of the Plan.

The investment manager is appointed by the Trustees based on its capabilities and therefore, its perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustees only invest in pooled investment vehicles. The Trustees therefore accept that they cannot specify the risk profile and return targets of the managers, but pooled funds are chosen by the Trustees (following advice) with appropriate characteristics to align with the overall investment strategy. Information on the pooled funds in which the Plan is invested is set out in Appendix 3.

The investment manager is responsible for all decisions concerning the selection and de-selection of the individual securities within their pooled funds.

The investment manager is authorised and regulated by the FCA.

It is remunerated by ad valorem charges based on the value of the assets that it manages on behalf of the Plan and does not have performance based fees which could encourage it to make short term investment decisions to hit its profit targets.

The Trustees accept that they have limited influence over the charging structure of the pooled funds in which the Plan is invested, but are satisfied that the ad-valorem charges for the different 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 investment managers and is consistent with the Trustee's 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 administrators, so far as they relate to the Plan's investments, is set out in Appendix 4.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Plan'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 Trustees' have set a buy-out aware strategy comprised of fixed interest and index-linked gilt funds, and a money market fund, as they intend to buy-in the Plan's liabilities (ahead of full buy-out) with an insurance company if insurer pricing is favourable.

Taking all of these factors into consideration, the Trustees have determined that the benchmark asset allocation, as set out in Appendix 1, is suitable for the Plan.

In making this decision, the Trustees have been satisfied that the strategy is consistent with their investment objectives and is supported by both the Sponsoring Employer and the Sponsoring Employer's covenant.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach in accordance with the 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 Plan.

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 strategic asset allocation and Plan 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 manager of the pooled funds in which the Plan is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes.

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

The Trustees note that the actuarial value of the Plan's future benefits payments to members is sensitive to changes in long term interest rates and long term inflation expectations. The Trustees have decided to invest in gilt and index-linked gilt funds which aim to respond in a similar way to changes in these factors and reduce the volatility of the Plan's funding position. This is referred to as liability hedging. The Plan is also invested in a money market fund, which is a low risk fund and will help to minimise the funding level volatility.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Plan'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 Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process.

As noted earlier, the Plan's assets are invested in pooled funds. The Trustees accept the fact that they would have very limited ability to influence the ESG policies and practices of the companies in which its manager invests. Furthermore, given the Trustees' key objective is to reduce risk, the Plan's assets are invested in pooled funds solely containing gilts and index-linked gilts issued by the UK Government and money market instruments. ESG considerations do not readily apply to these investments.

The Trustees will review the position as appropriate to make sure that their policy evolves in line with emerging trends and developments.

Taking the above into consideration, the Trustees are satisfied that ESG factors are appropriately reflected in the overall investment approach.

4.5 NON-FINANCIAL CONSIDERATIONS

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

4.6 STEWARDSHIP

The Plan is invested solely in pooled funds containing gilts and index-linked gilts issued by the UK Government and short term money market instruments. There are therefore no voting rights, and limited ability to influence behaviour by engagement.

The Trustees' policy is to invest with an investment manager where responsible investment is embedded appropriately in its approach to investment and note that the investment manager's approach to responsible investment is available at: https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/.

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 it believes to be the best interests of the majority of the Plan's membership.

5 RISK

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. The below are a selection of risks the Trustees believe to be financially significant to the Plan:

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 a low 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 cash flows required by the Plan over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Plan'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 are invested solely in gilts and index-linked gilts to give consistency with the expected cost of securing the Plan's liabilities with an insurer, as well as a low risk money market fund for capital stability.

Corporate Governance Risk

- This is assessed by reviewing the Plan's investment managers' policies regarding corporate governance.
- It is managed by investing in a manager where responsible investment is embedded appropriately in their approach to investment and by investing in funds which are invested solely in gilts and index-linked gilts issued by the UK Government, and money market instruments.

ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Plan's assets.
- It is managed by investing in a manager where Responsible Investment is embedded appropriately in their approach to investment and by investing in funds which are invested solely in gilts and index-linked gilts issued by the UK Government, and money market instruments.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit.
- It is managed by assessing the interaction between the Plan and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.
- It is also managed by using a low-risk investment strategy to minimise the risk of a significant deficit arising.

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 is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Plan invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds which are solely invested in gilts and index-Linked gilts issued by the UK Government, and also a low risk, money market fund which is diversified by counterparty.

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, interest rate risk and other price 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, it 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.
- This is managed by investing solely in Sterling denominated investments

Interest/Inflation rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates/expected inflation. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Plan's liabilities are exposed to a significant level of interest rate and inflation risk and for this reason it is desirable for the Plan's assets to be exposed to a similar level of interest rate risk. The Trustees manage the Plan's interest rate risk by considering the net risk when taking account of how the liabilities are valued.
- The Trustees have invested into gilt and index-linked gilt funds, which provide protection against movements in interest rates and inflation.

Other Price risk

- This is the risk of volatility that principally arises in relation to higher risk growth assets.
- The Trustees have eliminated this risk by not investing in growth assets.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way, and undertake a formal review annually. In doing so, the Trustees consider the objectives they set for the investment adviser, which they review on an ongoing basis and at least every three years.

6.2 INVESTMENT MANAGERS

The Trustees will receive annual monitoring reports on the performance of the underlying investment manager from Mercer.

The reporting reviews the performance of the Plan's individual funds against their benchmarks and of the Plan's assets in aggregate against the Plan's strategic benchmark.

The Trustees have the role of replacing the investment manager where appropriate, and subject to taking appropriate investment advice. They take a long-term view when assessing whether to replace the investment manager, and such decisions would not be made based solely on short-term performance concerns. In particular, if considering replacing the investment manager, the Trustees would take advice from the investment adviser.

Changes will also be made to the manager 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 Plan is invested, although note that the performance monitoring reports which they receive are 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 Plan invests in a range of pooled funds, the Trustees do not have an overall portfolio turnover target for the Plan and are satisfied that this is an appropriate approach.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS ("AVCS")

The Plan, before it closed to future accrual, provided a facility for members to pay Additional Voluntary Contributions ("AVCs") to enhance their benefits at retirement.

AVC funds are invested with one provider, Prudential. The Trustees are satisfied that this provides an appropriate range of options for members to choose from.

8 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released ‘Investment Guidance for Defined Benefit Pension Schemes’.

The Trustees are satisfied that the investment approach adopted by the Plan is consistent with the guidance so far as it is appropriate to the Plan’s circumstances.

The Trustees meet with their investment advisor on a regular basis, to monitor developments both in relation to the Plan’s circumstances and in relation to evolving guidance, and will revise the Plan’s investment approach if considered appropriate.

9 COMPLIANCE

The Plan’s Statement of Investment Principles is available to members online.

A copy of the Plan’s Statement plus appendices is also supplied to the sponsoring employer, the Plan’s auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the appendices, supersedes all others.

The Trustees approved this statement on 7 March 2024.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

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

Asset Class	Strategic Allocation (%)
Stabilising Assets	**100**
Gilts	40
Index Linked Gilts	35
Money Market	25
Total	**100**

The asset allocation will naturally drift as investment market conditions change and therefore no guideline ranges have been set.

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

Cashflow Policy

A cashflow policy and process has been agreed by the Trustees and this is documented in a separate cashflow policy document.

This will be kept under review by the Trustees and updated as appropriate.

Rebalancing

There is no formal rebalancing policy in place. However, the asset allocation will be reviewed against the initial strategic allocation on a regular basis and action taken if considered appropriate.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The table below shows information relating to the funds in which the Plan is invested with Columbia Threadneedle (“CT”):

Fund	Benchmark	Objective	Dealing Frequency
Regular Profile Unleveraged Nominal Gilt Fund	A typical pension fund’s liability profile, as determined by the investment manager.	To provide a hedge against fixed liabilities.	Daily
Regular Profile Unleveraged Real Gilt Fund	A typical pension fund’s liability profile, as determined by the investment manager	To provide a hedge against inflation-linked liabilities.	Daily
Short Profile Unleveraged Real Gilt Fund	A mature pension fund’s liability profile, as determined by the investment manager	To provide a hedge against inflation-linked liabilities.	Daily
Sterling Liquidity Fund (GBP)	SONIA	To maintain high levels of liquidity and generate a return in line with money market rates.	Daily

APPENDIX 4: RESPONSIBILITIES OF PARTIES

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 managers and custodian (if required)
- Assessing the quality of the performance and processes of the investment managers 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

INVESTMENT ADVISER

Responsibilities that can be expected of an investment adviser include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Informing the Trustee of any significant changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when the investment adviser is made aware of them
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the investment manager's organisation could affect the interests of the Plan
  - How any changes in the investment environment could present either opportunities or problems for the Plan
- 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 MANAGER

The investment manager's responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios.
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur.
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate.

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of the Plan's investment strategy 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 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.