Statement Of Investment Principles

LAUREL PUB PENSION SCHEME

Kempen

1737

1. Introduction

This document constitutes the Statement of Investment Principles (the "**SIP**") required under Section 35 of the Pensions Act 1995 for the Laurel Pub Pension Scheme (the "**Scheme**"). It describes the investment policy being pursued by the trustee directors (the "**Trustee Directors**") of Laurel Pension Trustee Company Limited (the "**Trustee**") in relation to the Scheme.

The SIP is intended to comply with applicable pensions legislation including, without limitation, the Occupational Pension Plans (Investment) Regulations 2005, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and subsequent legislation. It is also intended to be consistent with TPR's Investment Guidance for defined benefit pension schemes.

This SIP replaces the previous SIP dated September 2020.

In September 2021, the Trustee appointed Kempen Capital Management (the "**Fiduciary Manager**") to undertake on behalf of the Trustee certain investment advisory and management functions in relation to the Scheme as more fully specified in the fiduciary management agreement (the "**FMA**"). The Scheme actuary is Nick Kenny of Willis Tower Watson (the "**Scheme Actuary**") and the Scheme's legal adviser is Eversheds Sutherland LLP (the "**Legal Adviser**" and, together with the Fiduciary Manager and the Scheme Actuary, the "**Advisers**").

The Trustee confirms that, before publishing this SIP, it has consulted with the Scheme Actuary and obtained and considered written advice from the Fiduciary Manager acting as its investment adviser. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

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

The Scheme is registered under Part 4 of Finance Act 2004 for tax purposes.

The Trustee is responsible for the investment of the Scheme's assets and the administration of the Scheme. In accordance with the Financial Services & Markets Act 2000 ("**FSMA**"), the Trustee sets general investment policy, but delegates the day-to-day investment of the Scheme's assets to professional investment managers (which may include an insurance company or companies). Those investment managers provide the skill and expertise necessary to manage the investments of the Scheme.

In preparing this SIP the Trustee has consulted Bay Restaurant Group Ltd (the "**Employer**") to ascertain whether there are any material issues which the Trustee should consider in determining the Scheme's investment arrangements. The Trustee intends to discuss any proposed changes to the SIP with the Employer in compliance with its statutory duty and in order to maintain a good working relationship with the Employer. However, the Trustee affirms that no aspect of its strategy is restricted by any requirement to obtain the consent of the Employer.

2. Investment Governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Fiduciary Manager, the investment managers or the Advisers as appropriate.

The responsibility of each of the parties involved in the Scheme's governance is set out below.

The Trustee has decided not to appoint an investment sub-committee to deal with investment matters. The Trustee generally prefers to involve all Trustee Directors in all investment-related decision making. From time to time the Trustee may delegate investment-related projects and discussions to a subset of the Trustee Directors who summarise the details to the Trustee to assist with decision-making.

The Trustee

The Trustee's principal responsibilities in relation to investments include but are not limited to:

- Determining the investment objectives of the Scheme and reviewing these from time to time.
- Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
- Reviewing at least triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.
- Setting investment guidelines to be implemented by the Fiduciary Manager that are consistent with the SIP and reviewing the investment guidelines at least annually. When updating the investment guidelines, the Trustee shall consult with the Employer and the Advisers.
- Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.
- Monitoring the performance of applicable investment managers in consultation with the Advisers.
- Appointing and assessing the ongoing effectiveness of the Advisers and other service providers.
- Keeping the Advisers informed of any changes to Scheme benefits and significant changes in membership.
- Consulting with the Employer regarding any proposed amendments to this SIP

In connection with those responsibilities, the Trustee has determined to include in the guidelines a policy for the type of assets that may be invested in and any particular requirements relating to those, such as whether a segregated account must be used or pooled investment vehicles are permitted.

The Fiduciary Manager will appoint and select investment managers on the Trustee's behalf. The Fiduciary Manager or others in its group may act as investment manager.

The Trustee intends to ensure that those investment managers are appropriately remunerated and incentivised to make decisions which are aligned with the Trustee's investment strategy, policies and this SIP more generally (including in relation to ESG criteria). The Trustee believes this can be achieved by:

- setting targets/objectives in the investment guidelines against which the Fiduciary Manager's performance can be measured. The Trustee has selected a strategic investment objective and parameters governing eligible assets and target asset allocations that are set out in the investment guidelines;
- assessing the total running costs of the Scheme's investments on an annual basis; and
- appraising the performance of the Fiduciary Manager on an annual basis.

Fiduciary Manager

The management of the Scheme assets is the responsibility of the Trustee, acting on expert advice. The Trustee has concluded that a fiduciary management approach would be most appropriate for the Scheme. The Trustee conducted a tender process for the appointment of a fiduciary manager in 2021 and, as a result of that process, it appointed Kempen Capital Management as the Scheme's Fiduciary Manager on 3 September 2021.

The Trustee has set investment guidelines which apply under the FMA, and the Scheme's Fiduciary Manager is responsible for all aspects of advising on and implementing the Trustee's investment guidelines. The Fiduciary Manager is required to exercise its powers having regard to the criteria for investment as set out in the Occupational Pension Schemes (Investment) Regulations 2005. In particular, the Fiduciary Manager selects and liaises with investment managers and other service providers on behalf of the Trustee and monitors the Scheme's assets to ensure compliance with the agreed parameters and objectives. The Fiduciary Manager's powers and responsibilities are specified in the FMA. The Trustee believes that by using a Fiduciary Manager it can achieve a better balance of return, risk and cost for the Scheme.

The Fiduciary Manager's principal responsibilities in an investment advisory capacity include but are not limited to:

- Advising the Trustee on the SIP and the investment guidelines, taking into account the liabilities of the Scheme and the view that the Trustee has formed regarding the covenant of the Employer.
- Advising the Trustee on all other matters for which the Fiduciary Manager is responsible (other than the monitoring of the Fiduciary Manager).
- Liaising with the Scheme Actuary to determine suitable methods and assumptions to model the Scheme's liabilities for the purposes of the investment plan.
- Attending Trustee meetings.

The Fiduciary Manager's principal responsibilities in an investment implementation capacity include but are not limited to:

– Appointing and monitoring of a custodian for the Scheme. Where pooled vehicles are used, the custodian for the pooled vehicles is generally selected by the manager of the pooled vehicle. The custodian is responsible for their own compliance with prevailing legislation.

– Implementing, monitoring and managing the Scheme's investments in accordance with the investment guidelines. In particular:

  - Rebalancing the assets to maintain compliance with the investment plan.
  - Appointing, monitoring and dismissing investment managers (except in cases where the Trustee retains responsibility for this either because the Fiduciary Manager is itself acting as investment manager, or because the Trustee decides to retain this responsibility for other reasons).
  - Entering into legal agreements on behalf of the Trustee, including for derivative transactions and for investment management, obtaining legal advice where appropriate.

– Making provision for the Scheme's cash flow requirements, based on projections provided by the Scheme's administrator, and as agreed with the Trustee.

– Record keeping and reporting on the performance and risk of the investments, including providing sufficient information in an agreed format and to an agreed timescale for the Scheme's administrator to prepare the Scheme's annual report and accounts for audit.

Legal Advisor

The Scheme Legal Adviser's responsibility is to assist the Trustee with legal compliance, including in relation to investment matters. The Trustee may seek legal advice in relation to the following matters, amongst other things:

– Regulatory compliance issues that arise in the course of the provision of services by the Fiduciary Manager or other service providers.

– The Trustee's rights and obligations under the FMA or other applicable agreements, and any changes to those rights and obligations.

– The SIP and the legal aspects of investment governance.

– Investment management agreements for managers appointed by the Trustee directly. Please note that in most cases appointments are made by the Fiduciary Manager who obtains its own legal advice.

Scheme Actuary

The Scheme Actuary's responsibilities in relation to investments include but are not limited to:

– Providing liability data to the Fiduciary Manager on request.

– Confirming any market-derived assumptions used to value the Scheme's liabilities – to assist the Fiduciary Manager with interpreting its own estimates of the Scheme's funding position.

– Liaising with the Fiduciary Manager on the suitability of the Scheme's investment strategy given the characteristics of the liabilities.

– Performing the triennial (or more frequently as required) actuarial valuations and advising on the appropriate contribution levels and any recovery plan.

Administrator

The administrator's principal responsibilities in relation to investments are:

- Operating and keeping records in relation to the Trustee's bank account.
- Ensuring payment of benefits of the Scheme, and receipt of contributions where applicable.
- Providing advance cash projections based on estimated requirements where this is possible.
- Requesting cash from the Fiduciary Manager as required.
- Transferring any surplus cash beyond a reasonable buffer level to the Scheme's custodian for investment by the Fiduciary Manager.
- Preparing the annual accounts for the Scheme with input from the Fiduciary Manager.

Custodian

The custodian will be responsible for, amongst other things:

- Safe-keeping and administration of all the directly held assets.
- Collecting income from assets and transferring it to the Trustee.
- Where relevant, processing all tax reclaims in a timely manner.
- Reconciling records of assets held.

3. Investment Policy

The investment policy is determined by the Trustee and specifies the key elements of the investment of the Scheme's assets.

It is the responsibility of the Trustee to maintain investment guidelines that are consistent with this investment policy (and consistent with the SIP more generally). The investment guidelines set out the investment strategy in more detail and specify how it is to be implemented from time to time.

The overall objective of the Trustee is to invest the Scheme's assets in the best interest of the members and beneficiaries and optimise the return on investments. The Trustee has agreed to a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed.

The Trustee's objectives are as follows:

- Ensure that the Scheme can meet its obligations to the beneficiaries of the Scheme as they fall due;
- To maintain the funding position of the Scheme (i.e. the value of its assets relative to the assessed value of its liabilities) at an appropriate level. The Trustee is aware that there are various measures of funding and has given due weight to those considered to be most relevant to the Scheme including the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations 2005;
- To achieve a return which is compatible with the Trustee's risk tolerance, in line with assumptions used to value the Scheme's liabilities by the Scheme Actuary in the latest actuarial valuation;
- To pay due regard to the Employer's interest in the size and incidence of contribution payments:

In light of these objectives, the Trustee agreed that the investment strategy for the Scheme's assets should be to take appropriate investment risks with the aim of achieving a return of gilts + 1.6% per year compound net of all fees over the long term.

The Trustee has delegated to the Fiduciary Manager to determine the asset allocation and select appropriate managers and benchmarks, from time to time, subject to the constraints agreed in advance with the Trustee. The Scheme's assets will comprise of the following portfolios ("the Portfolios")

ASSET ALLOCATION ACROSS PORTFOLIOS

	MINIMUM WEIGHT (%)	MAXIMUM WEIGHT (%)
Matching Portfolio	50	95
Return Portfolio	0	30
Alternatives Portfolio	0	20

In addition, the Assets may be invested only in instruments that primarily provide exposure to the following asset classes:

PERMITTED ASSET CLASSES

DEVELOPED MARKETS	EMERGING MARKETS	OTHER
Cash	Government bonds	Derivatives and repo for liability hedging purposes
Government bonds	Investment grade credit	Derivatives for currency hedging purposes
Investment grade credit	High yield credit	Derivatives for synthetic credit
High yield credit	Distressed debt	Derivatives for structured equity
Distressed debt	Private debt	Hedge funds
Private debt	Listed equity	
Listed equity	Infrastructure equity	
Property	Infrastructure debt	
Infrastructure equity	Land	
Infrastructure debt		
Mortgages		
Land		

The Trustee has further agreed to minimise the volatility of the funding level with respect to the change in value of the Scheme's liabilities (the "**Liabilities**"). The Liabilities are sensitive to changes in interest rates and inflation, therefore the Fiduciary Manager has been instructed to reduce this volatility via a hedge of the total liabilities, as shown in the table below:

INTEREST RATE AND INFLATION HEDGING

Specified Basis	Total technical provisions liabilities
Fixed hedge ratio bandwidth (%)	-100 – 300
Real hedge ratio bandwidth (%)	85 – 115

How the investment strategy is implemented

The day-to-day management of the assets of the Scheme is delegated to the Fiduciary Manager who executes the investment strategy. The Trustee delegates responsibility for the appointment, termination and ongoing monitoring of the Scheme's investment funds and asset managers to the Fiduciary Manager. The Fiduciary Manager provides the Trustee with quarterly performance reporting.

The Fiduciary Manager has the day-to-day responsibility for investing in and realising investments in assets on the Trustee's behalf in accordance with the investment guidelines.

Arrangements are in place to monitor the continuing suitability of the Scheme's investments and, in order to facilitate this, the Trustee aims to meet periodically, but at least three times a year. The Fiduciary Manager will carry out an annual review of the investment strategy with the Trustee.

Portfolio turnover costs

These are the costs incurred as a result of the buying, selling, lending or borrowing of investments and the Trustee monitors these costs through annual cost reports provided by the Fiduciary Manager.

The portfolios are re-balanced quarterly, to ensure the assets are aligned to the agreed targets. The turnover and transaction costs associated with this rebalancing activity are expected to be small. A greater degree of portfolio turnover (and therefore cost) is only expected as a result of larger changes to the target asset allocation, for example as the investment strategy is de-risked as the funding level improves.

4. Risk Management and Measurement

The Trustee considers that there are a number of different types of investment risk that are important for the Scheme. These include but are not limited to:

Strategic risk

This is the risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review and will be monitored by the Trustee on a quarterly basis.

The Trustee will review the Scheme's investment strategy at least every three years in light of the various risks faced by the Scheme.

Investment manager risk

This is the risk that the investment managers fail to meet their investment objectives. Prior to appointing investment managers, the Fiduciary Manager undertakes comprehensive investment manager selection exercises on the Trustee's behalf.

The Fiduciary Manager monitors the investment managers on a regular basis.

Active manager risk

The Trustee understands that the use of active management introduces additional risk.

Where active management is adopted, the Trustee deems the risk to be acceptable in the context of the Scheme's overall investment risk profile.

Fiduciary Manager risk

There are risks associated with actions of the Fiduciary Manager and its selection of investment managers.

The Trustee will monitor the continuing suitability of the Fiduciary Manager and it will take its managerial appointments into account when doing so.

Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee's ability to meet its investment objectives.

The Trustee believes that the need for the Scheme's assets to be adequately diversified between different asset classes and within each asset class has been met by the strategy outlined in Section 3 and by the guidelines agreed with the Fiduciary Manager which have been designed to ensure that the Scheme's investments are placed in an adequately diversified portfolio. The Trustee understands that the Fiduciary Manager may make multiple manager appointments within some asset classes to help diversify manager-specific risk.

Currency risk

Whilst the majority of the Scheme's assets are denominated in the same currency as its liabilities to Scheme beneficiaries (pounds sterling), the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets.

The Fiduciary Manager manages the overseas currency exposure on the Trustee's behalf in the context of the overall investment strategy and may seek to reduce these risks via an FX hedging program where it considers it appropriate to do so.

Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because a portion of the Scheme's assets are held in government bonds, corporate bonds, interest rate and inflation swaps via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

The Fiduciary Manager works with the Actuary to analyse the Scheme's liabilities and looks to buy assets that match interest rate and inflation sensitivities as closely as possible with the sensitivities of the Scheme's liabilities to these same risks. As and when the liabilities are updated the matching portfolio is rebalanced accordingly so as to maintain as close a match as possible.

Liquidity risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed appropriately via the measures described below.

The Fiduciary Manager, Trustee and Scheme administrators will seek to ensure that the Scheme holds sufficient cash to meet the likely benefit outflow from time to time. The Fiduciary Manager will ensure that there are sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements so that realisations of assets will not disrupt the Scheme's overall investment policy where possible.

Counterparty risk

Responsibility for the safe custody of the Scheme's assets relating to defined benefits is delegated to the Fiduciary Manager who has appointed Northern Trust Corporation ("**Northern Trust**") on the Trustee's behalf as custodian of the assets.

The Fiduciary Manager is responsible for ensuring the suitability of Northern Trust and keeping Northern Trust under ongoing review.

Environmental, social and governance risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance.

Further details on how this risk is managed are included in the next section.

Other non-investment risks

The Trustee recognises that there are other investment and non-investment risks faced by the Scheme. Examples include:

- Longevity risk (the risk that members live, on average, longer than expected);
- Sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated);
- Political risk (the risk of adverse influence on investment values arising from political intervention);
- Legislative risk (the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation)
- Advice risk where decisions are taken without appropriate advice or expertise; and
- Derivative counterparty risks, such as the risk of counterparty insolvency.

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustee and its Advisers consider each of the risks that contribute to funding risk so that they are able to manage this risk in a manner which they consider appropriate.

5. The Trustee's policy on financially material considerations and non-financial matters

The Trustee has considered how ESG (including climate change) and other ethical factors should be considered in the selection, retention and realisation of investments, given the time horizon of the Scheme. The Trustee believes that if these factors are considered and managed by the issuers of investments the Scheme holds and/or related managers, this will produce better financial (and therefore member) outcomes for the Scheme.

In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly consider 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).

However, the Trustee believes that these factors can be financially material in an investment context, and that it is possible to yield better returns and/or better manage risks by taking these factors into account within the investment plan. The Trustee also recognises that ESG factors, and particularly climate change factors, are more likely to influence risk-adjusted returns over the long term.

The Trustee selected the Fiduciary Manager in part as a result of its investment policies and approach to ESG in general. The alignment of the Trustee's and the Fiduciary Manager's approach on ESG issues will be taken into account in the Trustee's review of the Fiduciary Manager. That will take place at least annually.

Without prejudice to the Trustee's legal obligations, the Trustee delegates full discretion to the Fiduciary Manager to evaluate ESG and climate change factors within the investment process and assets. The Fiduciary Manager, who is responsible for the appointment and removal of the underlying investment managers, exercises discretion when considering ESG-related risks and making sure the investment strategy is aligned with the Trustee's investment principles and ESG beliefs. The Fiduciary Manager's Responsible Investment Policies can be found at www.kempen.com/en/asset-management/esg/policies-and-publications

The Fiduciary Manager has limited influence over investment managers' investment practices where assets are held in pooled funds, but ESG factors and associated risks are managed as a consequence of the following:

- ESG criteria are assessed based on international conventions and initiatives, such as UN Global Compact and the Principles for Responsible Investment (PRI).
- All investment managers are screened against ESG criteria before inclusion in the Fiduciary Manager's approved manager list and therefore capable of investment by the Fiduciary Manager of its own discretion. For example, the Fiduciary Manager asks the following questions in its initial due diligence:
  - Does the investment manager have a responsible investment policy?
  - Is the investment manager open for a dialogue on ESG criteria?

  - Does the investment manager have exposure to companies that are on the Fiduciary Manager's exclusion list? The Fiduciary Manager has an exclusion policy where they look to exclude investing in companies involved in the production of controversial weapons. They maintain an exclusion list of such companies and every quarter they review the entire universe of firms covered by MSCI ESG Research against this policy. Based on the screening results, they decide whether any alterations to the exclusion list are necessary.
- All investment managers are reviewed against ESG criteria on an ongoing basis. For example, the Fiduciary Manager asks the following questions on an ongoing basis:
  - Does the process of the investment manager continue to integrate responsible investment considerations?
  - Is the investment manager making progress at integrating responsible investment considerations into its investment process?
  - Is the investment manager well informed about current practices for applying ESG criteria and current ESG initiatives?
  - Does the investment manager screen all underlying equity and debt securities during a quarterly monitoring cycle to check for potential new companies that may be caught by Fiduciary Manager's exclusion policy?
- The Fiduciary Manager encourages their chosen managers to improve their practices where appropriate (as explained in the next section).
- The Fiduciary Manager uses a "Sector Avoidance Framework", which ensures exclusion of companies involved in the production, trade and maintenance of controversial weapons.

As a result, the Trustee is satisfied that the Fiduciary Manager provides advice and implementation services that are aligned with the Trustee's investment policy and beliefs, and that a responsible approach is being taken which is consistent with the long-term financial interests of the Scheme.

The Trustee includes a standing item on the agenda for the Trustee meetings to review the Scheme's policies and progress concerning ESG and climate change factors annually.

6. Stewardship

The Trustee recognises its responsibility as an owner of capital and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its Fiduciary Manager and investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. They expect the Fiduciary Manager to exercise ownership rights and undertake monitoring and engagement in line with its own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code 2018 and the UK Stewardship Code 2020.

The Trustee selected the Fiduciary Manager in part as a result of its investment policies and approach to stewardship. The alignment of the Trustee's and the Fiduciary Manager's approach on stewardship will be taken into account in the Trustee's review of the Fiduciary Manager. That will take place at least annually.

The Fiduciary Manager supports and expects the underlying managers, who are regulated in the UK, to comply with the UK Stewardship Code 2020, including public disclosure of compliance via an external website. For an underlying manager to be appointed, the relevant manager must also abide by the Fiduciary Manager's Responsible Investment and Exclusions policy.

The Trustee will review annual reports on the voting undertaken by the underlying manager during the period to get assurance that it remains broadly consistent with the Trustee's view of good stewardship standards. However, the Trustee is conscious that the underlying manager may not be able to provide voting records for all investments held within certain pooled structures.

7. Fee structures

The Trustee recognises that the provision of investment management, dealing and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Fiduciary Manager levies a fee based on the value of the assets managed by the Fiduciary Manager which covers the design, implementation, monitoring and annual review. In addition, the underlying investment managers also levy fees based on a percentage of the value of the assets under management.

Both the Trustee and Fiduciary Manager understand the importance of incentivising the underlying managers so that their investment decisions are based on long-term performance. As part of the selection due-diligence, in addition to the full analysis of the investment process, the Fiduciary Manager includes a consideration of the fee structure of the fund and how the underlying portfolio management team is financially incentivised. This is to try and avoid short-termism in the investment decision making process. By encouraging a medium to long-term view, it is hoped that this in turn will encourage the underlying investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The fee rates are believed to be consistent with the Fiduciary Manager's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The Trustee has agreed contractual terms with the other Advisers, under which charges are calculated on a fixed fee or "time-cost" basis as appropriate.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

8. Additional Voluntary Contributions (AVCs)

The Scheme provided a facility for members to pay Additional Voluntary Contributions ("AVCs") to enhance their benefits at retirement. Members' AVCs are invested through the Scottish Widows platform and have a wide range of unit linked funds available to choose from.

Some historic AVCs were also paid to Equitable Life, and also there are a small number of members who have historic money purchase benefits as a result of individual transfers which were invested with Equitable Life. On 1 January 2020, following High Court approval and a policyholder vote, the business of Equitable Life was transferred to Utmost Life and Pensions. AVCs and money purchase benefits that were previously held in the Equitable Life With Profits Fund were transferred initially to the Utmost Secure Cash Fund.

Over the second half of 2020, the Utmost Secure Cash Fund holding was closed down by Utmost. The Trustee decided that members' investments should be transitioned to the Utmost Money Market Fund unless members chose to make an investment choice of their own. Members are able to select from any of the funds available through Utmost.

Because the Trustee, after receiving investment advice, chose to invest members' former With Profits AVCs initially in the Utmost Secure Cash Fund and now in the Utmost Money Market Fund in the event that members do not make their own investment choice, the Utmost Money Market Fund is classed as a 'Default' fund. The regulations therefore require that the Statement of Investment Principles details the Trustee's approach to investing for this Additional Default Fund. This is set out in Appendix 1.

Prior to the Scottish Widows AVC policy, the relevant funds had previously been invested through the Invesco Pension Saver Platform, until this closed. The Trustee took investment advice and transferred the Invesco AVC holdings to Scottish Widows, undertaking a fund mapping exercise to transfer members' funds to those most closely matching from the range of funds available through Scottish Widows. Again, the Scottish Widows AVC funds have therefore become default arrangements because members' funds have been invested in them without the members' specific agreement.

9. SIP compliance and review

The Trustee will monitor compliance with this SIP annually. It will obtain confirmation from the Fiduciary Manager that it has complied with this SIP insofar as is reasonably practicable and that in exercising any discretion it has done so in accordance with Section 4 of the Occupational Pension Scheme (Investment) Regulations 2005. The Trustee undertakes to take advice from the Advisers promptly and in writing in respect of any change to this SIP.

The Trustee will review this SIP after consultation with the Advisers once every three years, and immediately after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of professional advisers who the Trustee reasonably believes to be suitably qualified, to have practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

This SIP is published on a publicly available web page and along with the annual report and accounts is available to members on request.

A copy of the Scheme's current Statement plus Appendix is also supplied to the Employer, the Scheme's auditors and the Scheme Actuary.

Adopted by the Trustee with effect from 5 January 2022.

Next review at the latest by 5 January 2025.

Signed: A C Campbell

Name: A C Campbell

Date: 5 January 2022

for and on behalf of Laurel Pension Trustee Company Limited, acting solely in its capacity as trustee of the Laurel Pub Pension Scheme.

APPENDIX 1: ADDITIONAL DEFAULT FUNDS

Making changes without member consent to AVCs or the money purchase funds results in the relevant funds being determined to be 'default' arrangements requiring additional disclosures. Following this principle, new default arrangements have been created which are as follows:

Investment Funds	Date of Change	Reason
Scottish Widows AVCs	July 2012	Closure of the Invesco Pension Saver Platform and requirement to transfer AVCs to an alternative provider
Utmost Life Money Market Fund	July 2020	Fund to which the proceeds from the Equitable Life With Profits fund were ultimately transitioned (via the Utmost Secure Cash Fund which was phased out in December 2020).

The aims of the Additional Default Arrangements:

- In selecting the Additional Default Arrangements, the Trustee has explicitly considered the trade-off between risk and expected returns.
- Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- If members wish to, they can opt to move assets away from the Additional Default Arrangements and choose alternative investment funds at any time.
- Assets in the Additional Default Arrangements are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- Assets in the Additional Default Arrangements are invested in a manner which aims to ensure the security, quality, liquidity and appropriateness of a member's portfolio as a whole.
- Assets are invested in pooled funds which are daily dealing and readily realisable.

In respect of the Scottish Widows AVCs, the Trustee undertook a fund mapping exercise, based on investment advice, to transfer members' funds on the Invesco Pension Saver Platform to those most closely matching from the range of funds available through Scottish Widows.

The Trustee's key policies in respect of these Additional Defaults are summarised in the table overleaf:

Investment Funds	Fund Objective and Investments Held	Trustee Objective and Expected Risk and Return
Scottish Widows AVCs	A range of unit linked funds	The Trustee objective for selecting the Scottish Widows funds was to move members' investments to funds which matched most closely the funds in which members were invested on the Invesco Pension Saver Platform
Utmost Life Money Market Fund	The main objective of the Utmost Life Money Market Fund is to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates. The Money Market Fund will predominantly be invested in short term deposits. The investment manager is responsible for determining the balance between the different kinds of investments.	The Trustee determined that with the potential for elevated levels of volatility in investment markets due to Covid 19 the funds of these members which received a 75% uplift in compensation for the removal of the investment guarantees in the Equitable With Profits Fund should be invested in low risk money market funds where capital preservation is the key objective rather than maximising investment return or providing protection against inflation. The Trustee notes that the Money Market Fund is unlikely to keep pace with inflation. The Money Market Fund has the lowest expected volatility of the funds available with Utmost. The Trustee will review this periodically.

Trustee policies that are not explicitly mentioned in this Appendix are as outlined in the main SIP.

In line with regulatory requirements, the Trustee will continue to review its policies in respect of the Scheme's additional default arrangements on a regular basis, and no less frequently than with each three yearly review of the SIP.

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