



VAN LANSCHOT
KEMPEN

Statement of Investment Principles

Laurel Pub Pension Scheme
March 2024

1. Introduction

This Statement of Investment Principles (the “SIP”) sets out the policy of Laurel Pension Trustee Company Limited (the “Trustee”), on various matters governing decisions about the investments of the Laurel Pub Pension Scheme (the “Scheme”). This SIP replaces the previous SIP dated 11 April 2023.

This SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995, (as amended by the Pensions Act 2004 (the “Act”)) and the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (“the Regulations”) and subsequent legislation. This SIP is also in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (‘the Myners Principles’) and TPR's Investment Guidance for defined benefit pension schemes.

This SIP has been prepared after obtaining and considering written professional advice from the Trustee's investment adviser and fiduciary manager, Van Lanschot Kempen Investment Management (UK) Limited (“VLK IM”), and the Scheme actuary, Willis Towers Watson (“WTW” and together with VLK IM, collectively termed “Professional Advisors”).

In preparing this SIP the Trustee has consulted the principal employer, Bay Restaurant Group Limited (the “Employer”), to ascertain whether there are any material issues which the Trustee should consider in determining the Scheme's investment arrangements. The Trustee seeks to maintain a good working relationship with the Employer and will discuss any proposed changes to the SIP with the Employer. However, the fiduciary obligation of the Trustee is to the Scheme's members.

2. Investment Governance

The Trustee is responsible for setting the general investment policy, but has concluded a fiduciary management approach would be most appropriate for the Scheme, and consequently appointed VLK IM as the Scheme's investment advisor and fiduciary manager in September 2021. The Trustee therefore delegates the responsibility for the selection of specific investments to VLK IM, who in turn delegates the day-to-day management of the assets to underlying investment managers. The Professional Advisors and investment managers provide the skill and expertise necessary to advise on and manage the investments of the Scheme. The Trustee believes them to be suitably qualified and experienced to provide such advice.

The Trustee considers the governance structure set out in this SIP to be appropriate for the Scheme, as it allows the Trustee to make the important decisions on investments, whilst delegating the day-to-day aspects of investment management to its Professional Advisors and investment managers. The responsibility of each of the parties involved in the Scheme's governance is set out in Appendix A.

3. Suitability

It is the responsibility of the Trustee to maintain investments that are consistent with the investment objectives (and consistent with the SIP more generally) and with due regard to the Scheme's liabilities.

The Trustee has taken advice from the Professional Advisors to ensure that the proposed investment strategy, and the assets held by the Scheme, are suitable given the investment objectives, legislative requirements, regulatory guidance, statutory funding requirements and any specifications in the trust deed and rules governing the Scheme.

The funding position is reviewed periodically by the Professional Advisors, with a full actuarial valuation performed by WTW at least every three years. The Trustee considers with the Professional Advisors whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

4. 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 investments that are consistent with this investment policy (and consistent with the SIP more generally).

4.1 Investment Objectives

The overall objective of the Trustee is to ensure the Scheme should be able to meet benefit payments as they fall due. To do this, the Trustee, in consultation with its Professional Advisors, has agreed a number of additional objectives to help guide it in its management of the assets and to control the various risks to which the Scheme is exposed. These are as follows:

- The acquisition of suitable assets, having due regard to the risks as described in Appendix B, which will optimise the return on investments whilst managing and maintaining investment risks at an appropriate level consistent with the Trustee's risk tolerance.
- Achieve an investment return on the Scheme's assets which is expected to at least meet the actuarial assumptions over the long term.
- Target an investment return on the Scheme's assets which is compatible with the aim of maintaining the Scheme's funding position (i.e. the value of the 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 most relevant to the Scheme.
- That the key risks run by the Scheme are reduced over time, as and when it is affordable to do so in light of the funding position and progress against the objectives.

4.2 Investment Strategy

The Trustee agreed that an appropriate investment strategy is required that invests in various asset classes to achieve a return of gilts+0.8% per year, over the long-term.

In recognition of the risks that investments can imply, there are investment controls in place. The Trustee has signed an agreement with VLK IM setting out in detail the terms on which the strategy is to be run (the "Fiduciary Management Agreement").

4.3 Strategy Implementation

The Trustee recognises the importance of asset allocation to the overall investment strategy, and has therefore delegated the implementation of the strategy (including the appointment, termination and ongoing monitoring of the underlying investment managers who manage the assets of the Scheme) to its fiduciary manager, VLK IM.

The Fiduciary Management Agreement sets out in detail the terms on which the strategy is to be implemented. Before investing in any manner, the Trustee obtains and considers proper written advice from VLK IM on whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments that meet the Scheme's investment objectives. The Trustee also receives advice from VLK IM on the appropriateness of the underlying investment managers that are selected to manage the investments.

The Trustee, VLK IM and the underlying investment managers to whom discretion has been delegated exercise their powers giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

4.4 Derivatives

Derivatives or other financial instruments may be used to hedge the Scheme's liability risks (principally interest rate, inflation and longevity risks) or other risks (e.g. equity or currency risks). At any given time, a minimum level of assets of sufficient liquidity and quality will be held to ensure the Scheme is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

4.5 Selection and Monitoring of Investment Managers

VLK IM will monitor the performance of the investment strategy to ensure it continues to perform in a manner which is consistent with the agreed objectives and risk tolerances.

The Trustee's policy is to delegate to VLK the responsibility for the selection, appointment, monitoring and removal of the underlying investment managers.

VLK's role includes:

- Agreeing the terms of appointment for underlying managers;
- Putting in place fee arrangements which incentivise the manager to align its strategy to the Trustee's policies generally (to the extent possible);
- monitoring the underlying investment managers, to ensure they continue to perform in a competent manner and have the appropriate knowledge, skills and experience to manage the assets of the Scheme;
- monitoring the extent to which the underlying investment managers (i) make decisions based on assessments about medium to long-term financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity in order to improve their performance in the medium to long-term; and
- assessing the duration of any appointments of asset managers and, where appropriate terminating managers that are no longer aligned with the Trustee's investment strategy.

This will involve quarterly assessments against criteria such as strength of organisation and their operating capabilities, adherence to and the success of their designated strategies, and reviews of portfolio characteristics including responsible investment factors. VLK evaluates the performance of the underlying investment managers stated in the investment managers' performance objective against the Trustee's investment strategy and policies generally over an appropriate time horizon.

The Trustee, or any other suitably qualified adviser on behalf of the Trustee, will regularly review the activities of VLK IM to satisfy itself that VLK IM continues to carry out its work competently and that it has the appropriate knowledge and experience to advise on and implement the agreed strategy.

4.6 Realisation of assets

VLK IM has discretion over the timing of the realisation of portfolios managed by the selected underlying investment managers. The underlying investment managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustee, on the administrator's recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs VLK IM of any liquidity requirements. The preference of the Trustee is for investments that are readily realisable, but the Trustee recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (e.g. property and infrastructure assets). In general, the Trustee's policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation, and also receive income from some of the assets where appropriate. The majority of the assets are held in liquid pooled funds, most of which can be realised easily if necessary.

4.7 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 (as well as other investment management fees and costs) through annual cost reports provided by VLK IM.

The Scheme's investment portfolios are re-balanced quarterly, to ensure the assets continue to be aligned with the agreed investment strategy. 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 expected as a result of larger changes to the strategic asset allocation, for example as the investment strategy is de-risked as the funding level improves.

5. The Trustee's Policy on Financially Material Considerations and Non-financial Matters

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

The Trustee has considered how responsible investment, climate change and other ethical factors (collectively known as 'ESG'), should be taken into account 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 within the investments the Scheme holds, it is expected to produce better financial (and therefore member) outcomes over the long term.

Without prejudice to the Trustee's legal obligations, the Trustee delegates full discretion to its investment advisor and fiduciary manager, VLK IM, around the evaluation of ESG and climate change within the investment process and the assets. VLK IM, who is responsible for the appointment and removal of the underlying investment managers, exercises discretion when evaluating ESG issues giving consideration to ESG related risks and making sure the investment strategy is aligned with the ESG beliefs of the Trustee.

The Trustee recognises that VLK IM 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:

- Each investment manager appointed by VLK IM is assessed based on international conventions and initiatives, such as the UN Global Compact and the Principles for Responsible Investment (PRI)
- Each investment manager is also assessed against more specific ESG criteria, for example:
 - does the manager have a responsible investment policy;
 - is the manager open for a dialogue on ESG; and
 - how well does the manager adhere to VLK IM's own responsible investment policies, for example does the manager have exposure to companies that are on VLK IM's exclusion list (the current lists are available in the responsible investment section of VLK IM's website: <https://www.vanlanschotkempen.com/en-nl/investment-management>).
- All investment managers are then further reviewed against ESG criteria on an ongoing basis. For example:
 - do ESG considerations continue to be integrated into their investment process
 - is the fund manager making progress
 - is the fund manager well informed and up-to-speed on ESG criteria and initiatives
 - screening of all underlying equity and debt securities during the quarterly monitoring cycle to check for exclusion candidates.

As a result, the Trustee is satisfied that VLK IM is providing advice and implementation services that are aligned with the investment strategy and the investment beliefs of the Trustee.

6. Stewardship

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attached to investments, protect and enhance the long-term value of investments.

The Trustee has appointed VLK IM as an investment advisor and fiduciary manager, and thus a considerable degree of decision making with regards to the Scheme's asset allocation and investment manager selection is delegated to VLK IM. Furthermore, the Scheme's investment strategy is typically implemented by VLK IM using investment managers who operate pooled investment funds, whereby the Scheme's assets are aggregated with those of other investors. As a result, direct control of the process of engaging with the companies that issue securities in which the Scheme is invested, whether for corporate governance purposes or social, ethical or environmental factors, is delegated via VLK IM to the investment manager of the pooled investment fund. The investment managers, acting on behalf of the Trustee, are expected to have an interest in ensuring that corporate management act in the long-term interests of shareholders or bondholders and hence will, where appropriate and possible, engage with management.

The Trustee has therefore adopted a policy of delegating voting decisions on stocks to its investment managers who will exercise the voting rights attached to individual investments on its behalf in accordance with their own voting and engagement policies. The Trustee also expects VLK IM to undertake monitoring and engagement with the underlying investment managers, in line with its own responsible investment policies.

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 managers 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, implementation 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 Trustee has agreed Terms of Business with the Scheme's Professional Advisors, under which charges are calculated on a fixed fee or "time-cost" basis as appropriate.

VLK IM levies a fee based on the value of the assets managed by the fiduciary manager which covers the design, implementation, monitoring and review of the investment strategy. This fee structure helps align the Trustee's policies and investment priorities. In addition, the underlying investment managers also levy fees based on a percentage of the value of the assets under their management.

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

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 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 or Scottish Widows.

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 C.

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 (including a Lifestyle strategy) 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. In particular it will obtain confirmation from its Professional Advisors that they have complied with this SIP insofar as is reasonably practicable and that in exercising any discretion they have done so in accordance with Section 4 of the Occupational Pension Plan (Investment) Regulations 2005. The Trustee undertakes to advise the fiduciary manager and, where necessary, investment managers promptly and in writing of any change to this SIP.

The Trustee will review this SIP 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 Advisors who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

This SIP is adopted by the Trustee with effect from 4 March 2024:

Signed: Andrew Campbell

On behalf of BESTrustees Ltd

Name: Andrew Campbell

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

Appendix A: Responsibilities

The Trustee

The principal responsibilities of the Trustee in relation to investments include but are not limited to:

- Determining an appropriate division of responsibilities.
- Appointing, monitoring and removing third party service providers, for example investment advisors such as the fiduciary manager.
- The level of delegation afforded to the investment advisor or any other advisor.
- Setting an investment policy consistent with relevant legislation, which consists of:
 - A strategic investment objective;
 - Agreeing an investment strategy designed to meet the investment objectives of the Scheme;
 - A strategy for hedging key risks;
 - Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with investment advisors; and
 - Assessing the ongoing effectiveness of the investment advisors and the underlying investment managers.
- Consulting with the Principal Employer when reviewing investment issues.
- Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- Advising the investment advisors of any changes to Scheme benefits and significant changes in membership.

Fiduciary Manager

The fiduciary manager is responsible for all aspects of advising on and implementing the Trustee's investment strategy. 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, and any subsequent legislation. It selects and liaises with asset 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 Fiduciary Management Agreement ("FMA").

The fiduciary manager's principal responsibilities in an investment advisory capacity include, but are not limited to:

- Advising the Trustee on this SIP and the investment policy, 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 how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested;
- Advising the Trustee of any changes in the investment environment that could either present opportunities or problems for the Scheme;
- Undertaking reviews of the Scheme's investment arrangements including reviews of the investment strategy and the investment managers the Scheme is invested in, as appropriate;
- At its discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the investment objectives; and
- Providing the Trustee with sufficient information each quarter to facilitate the review of its activities.

The fiduciary manager's principal responsibilities in an investment implementation capacity, include but are not limited to:

- Appointing and monitoring a custodian for the Scheme. Where pooled vehicles are used, the custodian for the pooled vehicles is selected by the manager of the pooled vehicle.
- Implementing and managing the Scheme's investments in accordance with the investment guidelines. In particular:
 - Rebalancing the assets to maintain compliance with the investment guidelines.

- 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 an investment manager, or because the Trustee decides to retain this responsibility for other reasons).
- Entering into legal agreements on behalf of the Scheme, including for derivative transactions and for investment management, obtaining legal advice where appropriate.
- Monitoring the Scheme's investments and informing the Trustee immediately of:
 - Any breach of this SIP that has come to its attention;
 - Any serious breach of internal operating procedures;
 - Any material change in the knowledge and experience of those involved in managing the Scheme's investments; and
 - Any breach of investment restrictions.
- Making provision for the Scheme's cash flow requirements, based on projections provided by the Scheme's administrator and as agreed with the Trustee.

Investment Managers

The investment managers will be responsible for, amongst other things:

- Ensuring that assets under their control (typically via pooled funds) are at all times managed against appropriate market benchmarks;
- When necessary, making changes to their portfolio to ensure that the range of investments used is optimal and in accordance with their stated strategy;
- Ensuring that at all times they act within their agreed investment guidelines and terms as defined in the fund prospectus (as amended); and
- Ensuring that all investment decisions are reported in a timely and accurate manner.

Legal Advisor

When they consider it necessary, the Trustee will seek legal advice in relation to investments including, but not limited to:

- Advice on agreements with respect to the appointment of Professional Advisors;
- Advice on the SIP and on other legal aspects of investment governance; and
- Advice on investment management agreements for managers appointed by the Trustee directly (though in most cases appointments are made by the fiduciary manager who obtains its own legal advice).

Scheme Actuary

The actuary's responsibilities in relation to investments include, but are not limited to:

- Performing the triennial (or more frequently as required) actuarial valuations and advising on the appropriate contribution levels and any recovery plan;
- Liaising with the fiduciary manager on the suitability of the Scheme's investment strategy given the characteristics of the liabilities;
- Advising the Trustee and the fiduciary manager of any changes to contribution levels and funding level; and
- Providing liability data to the fiduciary manager as necessary and 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.

Appendix B: Risks

When deciding to invest the Scheme's assets, the Trustee considers a number of risks, including, but not limited to those set out below. The management of investment risk is a function of the asset allocation and diversification strategy and implementation of that strategy is delegated to the fiduciary manager.

Strategic risk

This is the risk that the performance of the Scheme's assets and liabilities diverge in certain financial and economic conditions. This risk is managed in the following ways:

- A liability benchmark is used as a proxy for the liabilities in order to measure the approximate changes in the liabilities. The Trustee monitors this change relative to the change in asset values on a regular basis;
- The Trustee also recognises the risks of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed by aiming for a higher overall investment return than implied by the liability discount rate;
- When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the liabilities and can therefore be assessed as part of the regular review process; and
- The Trustee will review the Scheme's investment strategy on an annual basis in light of the various risks faced by the Scheme.

Investment manager risk

The failure by the fiduciary manager and/or its selection of underlying investment managers to achieve the rate of investment return assumed by the Trustee. This risk has been considered by the Trustee on the initial appointment of the fiduciary and investment managers and thereafter will be considered as part of the investment review procedures the Trustee has put in place. This risk is also minimised using the following techniques:

- Appropriate diversification across asset classes and geographies to minimise the effect of a particular asset class underperforming;
- The use of instruments and strategies designed to control the extent of downside risk;
- The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees; and
- Regular monitoring of performance, by both the Trustee and the fiduciary manager.

Active manager risk

The Trustee is aware that the use of active, rather than passive, 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.

Concentration risk

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 geographies, asset classes and underlying investment managers has been met by the investment strategy and by the investment guidelines agreed with the fiduciary manager, where the fiduciary manager aims to ensure that the Scheme's investments are placed in an adequately diversified portfolio. To help diversify investment manager risk, the Trustee understands that the fiduciary manager may make multiple manager appointments within some asset classes.

Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because a proportion of the Scheme's investments are held in overseas markets. The fiduciary manager, on behalf of the Trustee, considers the overseas currency exposure in the context of the overall investment strategy, and will reduce these risks as it deems appropriate via either a currency hedging program, or by making use of hedged share classes.

Counterparty and derivative risk

Counterparty risk is reduced by investing the Scheme's assets into pooled investment vehicles managed by competent investment managers with strong organisational and operational processes. In addition, and where securities are owned directly by the Scheme, the Trustee has appointed a Custodian, Northern Trust, to mitigate the risk of misappropriation of such assets. The Custodian ring fences these assets from its own assets and from those of its other clients.

Where derivatives are used by the Scheme, the Scheme will have additional risk with the counterparty to that derivative. These risks are managed through the use of collateral arrangements with each counterparty.

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 is held either directly or indirectly in government bonds, interest rate and inflation swaps and other fixed income instruments such as corporate bonds. 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.

Liquidity risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. To mitigate this risk, the Trustee and its Professional Advisors will seek to ensure that the Scheme has sufficient cash to meet the likely benefit outflow from time to time. The Trustee and its Professional Advisors will also ensure that there are sufficient investments in liquid or readily realisable assets to meet unexpected cash flow requirements so that realisation of assets will not disrupt the Scheme's overall investment policy where possible.

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. This can include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance.

Other non-investment risks

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

Longevity risk:

Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustee recognises that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustee will measure liabilities using mortality assumptions recommended by WTW.

Covenant risk:

The risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated. The Trustee has an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustee will reconsider the continued appropriateness of the Scheme's existing investment strategy.

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. By understanding and considering each of the risks that contribute to funding risk, the Trustee and its Professional Advisors believe that they have addressed and are positioned to manage this general risk.

Appendix C: 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 Funds:

- In selecting the Additional Default Funds, 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 Funds and choose alternative investment funds at any time.
- Assets in the Additional Default Funds are invested in the best interests of members and beneficiaries, taking into account the objectives of the arrangements.
- Assets in the Additional Default Funds 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 (including a Lifestyle strategy) available through Scottish Widows.

The Trustee's key policies in respect of these Additional Default Funds 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 (including a Lifestyle strategy)	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. The Lifestyle strategy offers a pre-determined investment strategy which targets specific retirement objectives. The Lifestyle strategy initially invests in the Scottish Widows Consensus Fund with an objective to invest in growth assets. When the member is 5 years from their normal retirement age the fund gradually switches into the Scottish Widows UK Conventional Gilts Over 15 Years Index Fund and is fully invested in this fund at normal retirement age.
Utmost Life Money Market Fund	<p>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.</p> <p>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.</p>	<p>The Trustee determined that the funds of these members which had 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.</p> <p>The Trustee notes that the Money Market Fund is unlikely to keep pace with inflation.</p> <p>The Money Market Fund has the lowest expected volatility of the funds available with Utmost.</p> <p>The Trustee will review this periodically.</p>

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 Funds on a regular basis, and no less frequently than with each three yearly review of the SIP.



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