JOHN PRING & SON LTD RETIREMENT AND DEATH BENEFIT PLAN

STATEMENT OF INVESTMENT PRINCIPLES AND PRACTICE

AUGUST 2020

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of John Pring & Son Limited Retirement and Death Benefit 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, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsor, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsor.

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' primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

The Trustees have also received confirmation from the Plan Actuary that the expected return from the current investment strategy is consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

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 and choice of pooled funds in which to invest the Plan's assets
- The assessment and review of the performance of each fund
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Plan at total level and manager by manager
- 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 investment adviser to the Plan. Mercer provides advice as and when the Trustees require it. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Assistance in determining funds that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and withdrawal) policies (see Appendix 1)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 1). 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.

Mercer makes a fund based charge. This charge covers the services specified within the Implemented Investment Consultancy Services Agreement.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

The Trustees are satisfied that Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice. The Trustees believe this to be the most appropriate adviser remuneration structure for the Plan.

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

3.3 ARRANGEMENTS WITH INVESTMENT MANAGERS

The assets of the Plan are invested through the Mobius Life Limited (“Mobius”) investment platform.

The underlying managers and funds invested in by the Plan are determined by the Trustees using a written instruction to Mobius and appointed by Mobius.

Investment managers are appointed by the Trustees based on their capabilities and therefore their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustees will only invest in pooled investment vehicles. The Trustees therefore accept that they cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. If a manager is significantly downgraded by Mercer’s manager research team, the investment adviser will advise the Trustees and they may replace that manager with a suitable alternative.

The details of each manager’s mandate are set out in Appendix 3. In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers engaged by the Trustees are authorised and regulated by the FCA.

The platform provider and the investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan. The Trustees believe that this is a reasonable basis for remunerating managers.

None of the underlying managers in which the Plan’s assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Plan is invested, but are satisfied that the ad-valorem charges for the different underlying 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 underlying investment managers and is consistent with the Trustees’ policies as set out in this SIP.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Plan Actuary and the Plan administrators, so far as they relate to the Plan’s investments, is set out at 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 their own appetite for risk, 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 basis of the Trustees' strategy is to invest the Plan's assets across "growth" funds comprising of assets such as equities and diversified growth funds ("DGF"), and "matching" funds comprising of assets such as Liability Driven Investments ("LDI"), gilts and Multi-Asset Credit funds (MAC). The basis for the amount in growth and matching assets are set with regard to the overall required return objective of the Plan's assets.

The Trustees have established a benchmark allocation to each asset class, which is set out in Appendix 1.

Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their 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 split between the growth and the matching portfolios.
- Determining the allocation to asset classes within the growth and matching portfolios.
- Determining the 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 managers 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, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas fixed and inflation-linked government bonds
- UK and overseas corporate and convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity and infrastructure
- High yield bonds and emerging market debt
- Diversified growth
- Liability driven investment products
- Cash

All of 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 recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustees have therefore decided to invest in Diversified Growth Funds (DGFs), which are actively managed multi-asset funds. The managers of the DGFs invest in a wide range of assets and investment contracts in order to implement their market views.

Similarly, the Trustees have invested in a pooled Multi Asset Credit (“MAC”) mandate, where the manager selects and manages allocations across a diversified spectrum of bond assets.

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 therefore decided to invest in (“LDI”) 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 hedging.

4.4 FINANCIAL 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 a pooled fund. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

The Trustees have reviewed the ESG policies of their managers and concluded that they are appropriate. The Trustees will therefore rely on the policies and judgement of their fund managers when assessing the impact on the value of the Plans investments.

The Trustees have built an ongoing review of ESG considerations into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.

The Trustees are therefore 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. The Trustees have decided not to take into consideration non-financial matters, such as ethical views, or to take members' preferences into account when setting the investment strategy.

4.6 STEWARDSHIP, CORPORATE GOVERNANCE AND VOTING POLICY

The Plan is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

The Trustees note that the investment managers' corporate governance policies are available on request and on their respective websites.

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 they believe to be in the best interests of the majority of the Plan's membership.

The Trustees, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers.

The ESG and Stewardship policies of the underlying investment managers will be reviewed on a regular basis. As the Plan invests in pooled funds, the Trustees recognise that their ability to influence the stewardship policies of the underlying investment managers is limited. As such, any changes to the Trustees' views on these matters, or a change in the stewardship policies of the investment managers, could potentially result in the investment managers being replaced.

If the Trustees have any concerns, they will raise them with their investment advisor and/ or the investment managers, verbally or in writing.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Plan's investments, including the following:

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. These are set out below.

Solvency Risk and Mismatching Risk

- Are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- Are managed by setting a Plan-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- Is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- Is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- Is monitored according to the level of cashflows required by the Plan over a specified period.
- 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

- 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.
- Is managed by regular reviews of the investments and through assessment of the levels of diversification within the investment policy.

Corporate Governance Risk

- Is assessed by reviewing the Plan's investment managers' policies regarding corporate governance.
- Is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Plan's advantage.

Sponsor Risk

- 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.
- 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.

Legislative Risk

- 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

- Is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Plan's investment managers take.

Market Risk

- 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

- Is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension Plan, the Plan 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.
- The Trustees acknowledge that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.
- For funds where the currency risk is separately managed by the manager, the Trustees acknowledge that currency risk is delegated to the underlying investment managers where the manager is responsible for the decision of whether or not to hedge.

Interest / Inflation Rate Risk

- Is the risk that an investment's value will change due to a change in the level of interest/expected inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the interest/expected inflation rate risk related to individual debt instruments, particularly liability driven investment (LDI) instruments, is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management and hedging via swaps where LDI is involved.

Other Price Risk

- Is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustees acknowledge that the Plan can manage its exposure to price risk by investing in a diverse portfolio across various markets.

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.
- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision making process.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the Investment Adviser. As a result part of the rating process of the Investment Adviser is based on its financial stewardship and how well the underlying investment manager integrates governance and sustainability into its investment process.

6 MONITORING OF INVESTMENT ADVISOR AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

6.2 INVESTMENT MANAGERS

The Trustees receives quarterly monitoring reports on the performance of the underlying investment managers from Mercer, which present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance against the manager's stated target benchmark performance (over the relevant time period) on a net of fees basis. They also provide returns on market indices so that these can be used to help inform the assessment of the underlying managers' performance.

The reporting also reviews the performance of the Plan's assets in aggregate against the Plan's strategic benchmark.

The Trustees in conjunction with advice from their Investment Advisor, have the role of replacing the underlying investment managers where appropriate. They take a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's manager research team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will also be made to the underlying managers 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 report which they receive is net of all charges, including such costs. Portfolio turnover cost means the cost 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, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Plan is invested and will include further information about this when next updating the SIP.

7 BEST PRACTICE

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

The Trustees will ensure that the principles contained within this guidance are applied to the Plan as far as relevant to the Plan’s circumstances.

8 COMPLIANCE

The Plan's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Statement is also supplied to the Sponsoring Employer, the Plan's investment manager, the Plan Auditor and the Scheme Actuary.

This Statement supersedes all others and is approved by the Trustees:

Name: **Michael Altman**

Date: **24 August 2020**

Name: **Joanne Rudge**

Date: **24 August 2020**

APPENDIX 1: ASSET ALLOCATION BENCHMARK

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

Asset Class	Strategic Allocation	Guideline Range
Growth Assets	**35.0%**	
Diversified Growth	20.0%	+/- 10%
Multi-Asset Credit	15.0%	+/- 5%
Stabilising Assets	**65.0%**	
Fixed Interest Gilts	40.0%	+/- 10%
Equity-Linked Real LDI	25.0%	+/- 5%
Total Plan	**100.0%**	

The asset allocation will naturally drift as investment market conditions change.

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 & REBALANCING POLICY

CASHFLOW POLICY

Where possible, cash outflows will be met from cash balances held by the Plan in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back in line with the strategic benchmark, as set out in Appendix 1. Restrictions and limitations apply in respect of disinvestment instructions, which are set out in the Plan's Financial Management Policy.

Liability driven investment assets are excluded from the cashflow process.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Plan's cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

REBALANCING POLICY

If the Plan's assets fall outside the 'Guideline Range' set out in Appendix 1, the Trustees will consider rebalancing the asset allocation back to the strategic benchmark asset allocation.

APPENDIX 3: INVESTMENT MANAGERS

The assets for the underlying managers are hosted on an investment platform provided by Mobius Life Limited, which enables the Trustees to implement their agreed investment strategy as set out in Appendix 1.

The tables below show the details of the mandate(s) with each manager.

Growth Assets

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Baillie Gifford Multi Asset Growth	Bank of England Base Rate	To outperform the benchmark by 3.5% p.a. net of fees	Daily	(b) / 2
Threadneedle Multi-Asset Fund	UK Base Rate	To outperform the benchmark by 3.5% p.a. (net of fees) over the economic cycle	Daily	(b) / 2
Investec Global Total Return Credit	BOR 3 Month	To outperform the benchmark by 4% p.a. (net of fees) over the economic cycle and aims to provide income and long-term capital growth	Daily	(b) / 2

Stabilising Assets

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
BMO Equity-Linked Real Dynamic LDI	The real liability cashflow profile of a typical UK DB pension scheme plus a composite global equity index	To provide interest rate and inflation protection by replicating the liability profile of a typical UK DB pension scheme, and currency hedged exposure to global equity	Weekly	(b) / 2
LGIM Over 15 Year Gilts index	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To track the performance of the benchmark to within +/-0.25% p.a. for two years out of three	Daily	(b) / 2

Note: This SIP will not be updated solely in response to a replacement of one of the underlying investment managers.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Scheme Actuary
- Appointing the Investment Manager(s), platform provider and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information
- 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 MANAGERS

- Informing the Platform provider of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates

The underlying investment managers are not directly appointed by the Trustees and therefore do not have any direct responsibility to the Trustees.

PLATFORM PROVIDER

- Ensure contributions are invested/disinvested in accordance with instructions, and that switches are processed accordingly
- Ensure instructions are in accordance with the Authorised Signatory Lists
- 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
- Providing the Trustees, on a quarterly basis (or as frequently as agreed), with a statement and valuation of the assets and appropriate management information and reporting.

SCHEME ACTUARY

- Liaising with the Trustees 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

- 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.