Fuller, Smith & Turner Pension Plan

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustees of the Fuller, Smith & Turner Pension Plan (the "Plan"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Plan.

The Plan's investment strategy is derived from the Trustees' investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Plan's investment arrangements are set out in the Investment Implementation Document ("IID").

Governance

The Trustees of the Plan make all major strategic decisions including, but not limited to, the Plan's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio Group Limited ("Isio"), are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

Investment objectives

The Trustees invest the assets of the Plan with the aim of ensuring that all members' current and future benefits can be paid. The Plan's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Plan's circumstances. The Plan's funding target is specified in the Statement of Funding Principles.

The Plan's present investment objective is to at least meet the rate of return underlying the Recovery Plan.

Investment strategy

The Trustees take a holistic approach to considering and managing risks when formulating the Plan's investment strategy. The remainder of this Statement refers solely to the investments held outside the buy-in policy, unless explicitly stated otherwise.

The Plan's investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Plan's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Plan, and also the strength of the sponsoring company's covenant. The Trustees considered the merits of a range of asset classes.

The Plan's current investment strategy is invested according to the following broad asset allocation:

Asset Class	Proportion	Control Ranges (%)(4)	Expected Return (per annum) (1)
Return Seeking	**45%**		
Multi-asset Credit	25%	±5.0%	2.6%
Diversified Private Credit(3)	20%	n/a	4.2%
Liability Matching and Cash	**55%**		
Liability Driven Investment ('LDI') and Cash	30%	±7.5%(2)	0.0%
Cash	5%	±2.5%	0.0%
Buy & Maintain Credit	20%	±2.5%	0.9%
Total	**100%**		**1.7%**

(1) 10-year assumptions as at 31 March 2024 relative to Bank of England 10-year Gilts (net of management fees). This yield was 4.56% as at 31 March 2024.
(2) The LDI allocation is given a relatively broad control range as the allocation is in place to hedge a specific level of interest rate and inflation sensitivity in the liabilities. Any material deviations from the strategic target should "self-correct" over time through rebalancing events whereby cash will be distributed or called depending on changes in real and nominal gilt yields.
(3) Investment has been committed to a closed-ended fund and will be drawn down over time, assets may be allocated elsewhere as an interim solution. Due to the closed-ended nature, there is little that can be done to control the allocations.
(4) Control ranges are for guide purposes only and actual allocations may deviate.

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Short-term returns in some asset classes may exhibit considerable variability.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Plan consist predominantly of investments which are traded on regulated markets.

Leverage and collateral management
The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Plan's liability hedging (LDI).
The Trustees have a stated collateral management policy / framework. The Trustees have agreed a process for meeting collateral calls should these be made by the Plan's LDI. The Trustees will review and stress test this policy / framework on a regular basis.

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Plan as listed in the IID. The investment managers are all regulated under the Financial Services and

Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

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

As the majority of the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager. For assets held in relation to the Diversified Private Credit strategy, the Trustees have appointed a custodian to operate alongside the investment manager in place.

Investment Manager Monitoring and Engagement

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

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustees receive a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • If there are concerns with any of the Plan's investments, the investment managers are invited, in person, to present to the Trustees on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment advisers on the investment managers' approaches to engagement. The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustees' policies in this area.

	matters at least annually.	

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

Employer-related investments

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Plan's total asset value. The Trustees will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Date:…………………………………….

Appendix A – Investment Beliefs

1. **Investment strategy is the most important decision and should be based on clear objectives**

Our long-term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 **There is more to robust portfolio construction than diversification alone**

Excessive diversification can introduce inefficiency, cost, and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected pay-off profile of the Plan's investments around our required objectives.

***Excess liquidity of our Plan*:** We utilise excess liquidity in order to access any illiquidity premium (when illiquidity is rewarded), taking into consideration known cash flow requirements and the need for flexibility.

***True diversification*:** We optimise true diversification of underlying risk drivers.

3 **We aim to select the most appropriate opportunities in the market**

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objectives.

4 **A long-term mind-set can be used to enhance returns**

As a long-term investor we pursue incremental growth that rewards adherence to our strategic plan, rather than pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 **Excessive costs will erode performance**

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 **Good governance improves our decision making**

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Plan.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsible investing and Stewardship

We consider environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments we make.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

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

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

Risks	**Definition**	**Policy**
Investment	The risk that the Plan's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Plan's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	• When developing the Plan's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Plan is exposed to is at an appropriate level for the covenant to support.

The Plan is exposed to a number of underlying risks relating to the Plan's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	• To hedge between 95% of these risks on the Technical Provisions basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	• To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to

		provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	• To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	• To diversify this risk by investing in a range of credit markets across different geographies and sectors. • To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting The Trustees monitor the mangers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	• Hedge all currency risk on all assets that deliver a return through contractual income.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	• Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C

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

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees policies.	• As the Plan is predominantly invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective. • With regards to the investment in Diversified Private Credit, the mandate is subject to a performance related fee.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of the information which needs to be included in the Implementation Statement for the Trustee Report and Accounts. This information was first included in the July 2020 accounts. • The Trustees do not directly incentivise the investment managers to make decisions based on non-financial performance. However, the monitoring and reporting of these may indirectly incentivise the investment managers.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees policies.	• The Trustees review the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed regularly to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

The duration of the Plan's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Plan invests in.
	    o For closed ended funds or funds with a lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees objectives and Plan's liquidity requirements.
	    o For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

Appendix D

Collateral management policy

Given that the Plan holds the majority of assets on the LDI manager's platform, the Trustees delegate collateral management to the LDI manager. This is managed in line with the manager's policy for pooled LDI funds and the agreed collateral waterfall structure.

As of November 2023, the assets in the collateral waterfall were sufficient to withstand a yield rise of more than 10%, the Trustees are comfortable the likelihood of collateral exhaustion is minimal and they will have sufficient time to react to any sharp rise in yields.

Trigger	Action	Responsibility
Pooled LDI fund issues capital call	Assets sold from below collateral waterfall to meet capital call	LDI manager (delegated by the Trustees)

The latest collateral waterfall is set out below. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustees.

Manager	Asset Class	Dealing frequency
LDI manager	Cash fund	Daily frequency
Non-LDI manager[1]	Multi-asset credit	Daily frequency
LDI manager	Buy and maintain	Weekly frequency

1)The fund is on the LDI manager's platform and hence the fund may be utilised by the LDI manager for collateral purposes.