PICKERINGS LIMITED RETIREMENT BENEFITS PLAN

STATEMENT OF INVESTMENT PRINCIPLES

DECEMBER 2024

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Pickerings Limited Retirement Benefits Plan ("the Plan") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited ("Mercer"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Plan.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The investment objectives can be categorised into three components:

1. **Buy-in policy:**

The Trustees have purchased an insurance policy, known as a “buy-in” policy in respect of the benefits for all the Plan’s members.

2. **GMP / Barber Equalisation Reserve:**

It is expected that there will be an additional cost of insuring the benefits resulting from GMP equalisation and Barber equalisation.

The cost of securing these additional benefits with Just will move in line with bond and inflation market indices specified by Just.

The investment objective in relation to this is to invest in a way to provide an appropriate level of liability hedging, in order to mitigate the impact of market movements on the cost of securing the benefits.

3. **“Surplus” Assets:**

Lastly, the Trustees have agreed that an appropriate objective for the “surplus” assets, i.e., those assets in excess of the buy in policy and the GMP / Barber equalisation reserve, should be to maintain liquidity and stabilise the capital value of the surplus, not to seek to take risk to generate additional returns above a money market rate.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

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

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

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the investment adviser to the Plan. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees, on request, include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Advising on investment managers that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and withdrawal) policies

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

The Trustees do not anticipate taking tactical investment decisions and there is no responsibility placed on Mercer to proactively provide tactical investment advice to the Trustees.

Mercer will be remunerated primarily on a fixed fee basis.

Mercer does not receive commission or any other payments in respect of the Plan that might affect the impartiality of its advice.

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

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

3.3 INVESTMENT MANAGERS DUTIES AND RESPONSIBILITIES

Buy-In Policy

The Trustees have secured a buy-in policy with Just Retirement Limited ("Just") to pay to the Plan an amount equal to the contractual payments specified under the policy. The initial premium was paid in June 2024, and the policy is non-surrenderable.

The primary responsibility of Just is to ensure that the correct amounts specified in the contract are paid to the Plan, and this was the primary concern of the Trustees when they took out the policy and the strategic reason for investing in a buy-in policy. Just's charges for managing the policy were crystallised into the up-front premium that the Trustees paid when purchasing the policy.

Apart from the additional cost of GMP / Barber equalisation and the potential for a true-up premium upon completion of the data validation exercise, no further premiums will be payable to Just. The Trustees therefore note that it is in Just's best interests to make assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

Just is authorised by the PRA and the FCA.

Non-Insured Assets

The Trustees, after considering appropriate investment advice, have invested the Plan's non-insured assets with Columbia Threadneedle (CT), a professional, authorised investment manager, which is regulated by the FCA.

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

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

Information on the pooled funds in which the Plan is invested is set out in Appendix 2.

CT is responsible for all decisions concerning the selection and de-selection of the individual securities within the pooled funds.

It is remunerated by ad valorem charges based on the value of the assets that it manages on behalf of the Plan, together with a minimum annual fee level. Importantly, it does not have performance based fees which could encourage it to make short term investment decisions to hit its profit targets.

The Trustees accept that they have limited influence over the charging structure of the pooled funds in which the Plan is invested but are satisfied that the ad-valorem charges for the different funds are clear and are consistent with each fund's stated characteristics.

The Trustees are therefore satisfied that this is the most appropriate basis for remunerating the investment manager and is consistent with the Trustees' policies as set out in this Statement.

The Trustees note that the CT Sterling Liquidity Fund is a short-term money market / liquidity fund, which by nature invests in very short dated securities. It is therefore not appropriate for the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity to improve their performance in the medium to long-term.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the administrators, so far as they relate to the Plan's investments, is set out in Appendix 3.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Plan's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their investment adviser.

The Plan has three components to its investment strategy:

- Buy-in policy:

The Trustees have determined that the best way to secure the payment of benefits for the Plan's members is to purchase a buy-in policy with a reputable insurance company.

- GMP / Barber equalisation reserve

The basis of the Trustees' strategy in respect of the GMP / Barber equalisation reserve is to invest in a range of gilt and index-linked gilt funds to provide an appropriate level of liability hedging, in order to mitigate the impact of market movements.

- Surplus assets

The basis of the Trustees' strategy for the surplus assets is to invest in a Sterling Liquidity Fund, so as to maintain liquidity and stabilise the capital value of the surplus, not to seek to take risk to generate additional returns above a money market rate.

The Trustees have determined that the investment strategy, as set out in Appendix 1, is suitable for the Plan.

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 suitability of entering into a buy-in policy for the Plan
- Determining the allocation to asset classes for the non-insured assets
- 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.

Given the Plan's circumstances, the Trustees do not expect to make any tactical investment decisions.

Stock Selection Decisions

All such decisions are the responsibility of the investment manager of the pooled funds in which the Plan is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, and into appropriately regulated insurance policies.

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

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees consider many risks which they anticipate could impact the financial performance of the Plan's investments over the Plan's expected lifetime. Such risks are set out in the next section of this statement.

The Trustees recognise that environmental, social and governance (ESG) factors, such as climate change, can influence the long-term investment risk and return outcomes of the Plan's portfolio and in normal circumstances it would be in members' and the Plan's best interests that these factors are taken into account within the investment process.

However, the Trustees have secured a buy in policy with an insurer for the members' benefits and are working towards the wind up of the Plan. The lifetime of the Plan is therefore expected to be short, and the Trustees are satisfied that it is appropriate not to embed long term ESG considerations into the Plan's investment strategy.

Furthermore, given the non-insured assets are invested in a Sterling Liquidity Fund, and in pooled funds containing gilts and index-linked gilts issued by the UK Government, ESG considerations do not readily apply to these investments.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees have determined that the financial interests of the members are their first priority when choosing investments.

They have therefore decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy for the Plan.

4.6 STEWARDSHIP

The Plan has purchased a buy-in policy with Just and is also invested in pooled funds containing gilts and index-linked gilts issued by the UK Government. There are no voting rights in relation to the buy-in policy, and none of non-insured assets hold equities. Therefore, the Plan has no voting rights, and limited ability to influence behaviour by engagement.

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

5 RISK

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below:

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed via the purchase of a a buy-in policy, securing the Plan's liabilities.
- These are also managed by setting a scheme-specific strategic asset allocation with a low level of risk in relation to the non-insured assets.

Manager Risk

- In relation to the buy-in, this is managed by investing with an appropriately regulated insurance company, and taking professional advice as part of the process.
- In relation to the non-insured assets, this is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Plan over a specified period.
- The buy-in is an insurance policy which pays to the Plan cashflows as determined by the data provided and the benefit specification. It is not realisable.
- For the non-insured assets, it is managed by investing in readily realisable pooled funds.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by taking out a buy-in policy to secure the Plan's liabilities.
- For the non-insured assets it is managed by investing in funds which are invested solely in gilts and index-linked gilts, as well as a low risk Sterling Liquidity Fund.

Corporate Governance Risk

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

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 have managed this risk by securing the schemes liabilities via a buy-in policy.
- It is managed by investing in a manager where Responsible Investment is embedded appropriately in its approach to investment and by investing in funds which are invested solely in gilts and index-linked gilts issued by the UK Government, and a Sterling Liquidity Fund.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit.

- It is managed by the purchase of a buy-in policy and investing the non-insured assets in a low risk approach to meeting the Trustees' investment objectives.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Plan invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond and money market investments held in the pooled funds. This risk is mitigated by investing in funds which are solely invested in gilts and index-linked gilts issued by the UK Government, and also a low risk, Sterling Liquidity Fund which is diversified by counterparty.
- In addition, the Plan is exposed to direct credit risk in respect of the buy-in policy with Just, in the event of Just failing. In order to manage this risk, the Trustees carried out appropriate due diligence when selecting Just and the Trustees note that there are considerable protections through the regulatory regime that applies to insurance companies.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, it may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- This is managed by investing solely in Sterling denominated investments

Interest/Inflation Rate Risk

- This is the risk that an investment's value will change due to a change in the level of interest rates/expected inflation.
- The Trustees recognise that the Plan's liabilities are exposed to a significant level of interest rate and expected inflation risk and have therefore purchased a buy-in policy to remove these risks.
- The Plan's non-insured assets are invested in gilt and index-linked gilt funds, which provide protection against movements in interest rates and inflation in relation to the GMP / Barber equalisation reserve.

Other Price Risk

- This is the risk of volatility in fund values and principally arises in relation to return seeking assets.
- The Trustees have eliminated this risk by not investing in growth assets.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

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

6.2 INVESTMENT MANAGERS

The Trustees receive information from CT in relation to the Plan's non-insured investments. The Trustees review this to ensure is it in line with expectations, and they take a long-term view when assessing whether to replace the funds. Such decisions would not be based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of CT by Mercer. This in turn would be due to a significant reduction in Mercer's confidence that CT will be able to perform in line with its mandates over the long term.

If considering replacing the investment manager, the Trustees would take advice from the Mercer.

Changes will also be made to the manager if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

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 returns they receive are net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

However, given that the non-insured assets are invested in pooled gilt and index-linked gilt funds, and a Sterling Liquidity Fund which by design invests in short dated securities, the Trustees do not consider that this requirement is appropriate to the Plan's circumstances.

The Trustees further note that they have no oversight of the assets backing the buy-in policy with Just and therefore consider that these requirements are not relevant to the buy-in policy.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (“AVCS”)

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

AVC funds are invested with Prudential, and the Trustees are satisfied that there are an appropriate range of options for members to choose from.

8 CODE OF BEST PRACTICE

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

The Trustees have worked with their investment adviser to ensure that the Plan has complied with the guidance as far as is appropriate to the Plan’s circumstances.

Now that the Plan’s liabilities have been secured through a buy-in policy with Just, the Trustees note that much of the guidance is no longer relevant.

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

9 COMPLIANCE

This Statement supersedes all others and is available to members online.

A copy is also supplied to the sponsoring employer, the Plan's auditors and the Scheme Actuary.

The Trustees approved this Statement on 6 December 2024.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

- Insured members

The Trustees have secured a buy-in policy with Just, in the name of the Trustees, to pay to the Plan an amount equal to the contractual payments specified under the policy.

The primary responsibility of Just is to ensure that the correct amount is paid to the Plan as defined by the buy-in contract. The payments from Just are used to fund the benefit payments payable from the Plan.

- GMP / Barber equalisation reserve

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

Fund	Allocation
Gilts (regular profile)	36
Index Linked Gilts (regular profile)	28
Index Linked Gilts (short profile)	36
Total	**100**

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

- Surplus assets

The Trustees have invested the Plan's surplus assets in the CT Sterling Liquidity Fund.

This does not guarantee capital preservation. However, it is a low risk, liquidity fund and will earn a money market return, whilst diversifying across counterparties to mitigate the impact of a default by an individual counterparty.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Cashflow Policy

Investments and disinvestments will be directed to/from the Sterling Liquidity Fund.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate.

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

Rebalancing

It is expected that the asset allocation will naturally drift as investment market conditions change, and due to cashflows.

There will therefore be no rebalancing between the non-insured assets.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

- Insured members

The assets held in respect of the insured members are in the form of a buy in policy with Just.

- Non-insured assets

The Plan's non-insured assets are held in pooled funds managed by Columbia Threadneedle ("CT"):

The table below shows information relating to the funds in which the Plan is invested:

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

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the investment adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the investment adviser and scheme actuary
- Appointing the investment manager(s) and custodian (if required)
- Assessing the performance of the investment manager(s) by means of regular reviews of the information provided, in consultation with the investment adviser if required
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The investment adviser's responsibilities include the following:

- If requested, participating with the Trustees in reviews of this Statement of Investment Principles
- Informing the Trustees of any significant changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when the investment adviser is made aware of them
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the investment manager's organisation could affect the interests of the Plan
  - How any changes in the investment environment could present either opportunities or problems for the Plan
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of investment manager(s)
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGER

The investment manager's responsibilities include the following:

- Providing the Trustees with a regular statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolio.
- Informing the Trustees of any changes in the internal performance objectives and guidelines of the pooled fund used by the Plan, as and when they occur.
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments.
- Managing their funds in accordance with their stated mandates

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of the Plan's investment strategy given the financial characteristics of the Plan
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment managers according to the Trustees' instructions.

INSURER

- The primary responsibility of Just is to ensure that the correct amounts are paid to the Plan on a timely basis as set out in the buy-in contract.