BROADSTONE

John G Russell (Transport) Limited 1989 Retirement Benefits Scheme

Statement of Investment Principles

November 2020

1/3/21

1. Introduction

This Statement of Investment Principles has been drawn up by the Trustees of the John G Russell (Transport) Limited 1989 Retirement Benefits Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Protection Scheme (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

2. Decision Making Process

The Trustees

The investment of the Scheme's assets is the responsibility of the Trustees and the Scheme Rules give the Trustees broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustees' policy is to seek professional advice on investment strategy. They decide on the investment strategy after considering investment advice from the Investment Consultant. The Trustees recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustees meet regularly and ensure that adequate time is set aside to discuss investment issues. In determining their investment strategy, the Trustees address the following:

- the need to consider a full range of asset classes,
- the risks and rewards of a range of alternative asset allocation strategies,
- the suitability of each asset class,
- the need for appropriate diversification, and
- the Scheme's Investment and Funding Objectives.

The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. This advice is provided after each formal actuarial valuation and on a regular basis between formal valuations. The Investment Consultant also monitors and reports on the performance of the Investment Manager.

The Investment Consultant is paid a fee for their advice and their appointment is reviewed from time to time by the Trustees.

Broadstone Corporate Benefits Limited has been appointed as Investment Consultant to the Trustees, on the basis that the Trustees believe them to be suitably qualified and have the appropriate knowledge and experience of the management of the investments of such schemes.

Broadstone Corporate Benefits Limited is authorised and regulated by the Financial Conduct Authority.

The Employer

The Trustees will consult with the Employer as part of the process for deciding on their investment strategy.

Delegation

The Trustees have a policy of delegating all day-to-day powers of investment to the Investment Manager who is authorised and regulated by the Financial Conduct Authority.

3. Investment Objectives

Funding Objective

The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

Investment Objectives

The Trustees' high level objectives with regard to investing the Scheme assets are to:

- operate an investment strategy that provides appropriate security for all beneficiaries.
- target an ongoing funding level of 100% based on the Scheme's ongoing valuation basis at 1 April 2017 and subsequent triennial valuations.
- acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from employer, the cost of current and future benefits of the Scheme.
- limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to statutory funding requirements.
- minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objectives shown above.

The Trustees specific long-term investment objective is to achieve an investment return of approximately 2.5% per annum above the FT Government Index-Linked All Stocks Index over a rolling three year period.

Performance Objective

The Investment Manager has been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

4. Investment Strategy

Having considered advice from the Investment Manager, and also having due consideration for the objectives, the liabilities of the Scheme and their attitude to risk, the Trustees have decided upon the asset allocation detailed below. The Trustees consider that an asset allocation policy for the Scheme which corresponds to this benchmark will ensure that the assets of the Scheme include suitable investments, that those assets are appropriately diversified and that there is a reasonable expectation of meeting their investment objectives.

In normal circumstances the Trustees would expect their asset allocation to fall within the following ranges:

Asset Class	Asset Ranges (%)
Liquid Assets	0 – 10
Secure Income	0 – 20
High Income	0 – 20
Core Equity	45 – 85
Alternative Investments	10 – 40

The Investment Manager ensures that the asset allocation is rebalanced within these ranges.

The Trustees agreed the investment strategy taking into account the nature and term of the liabilities. The Trustees are satisfied that the strategy is consistent with their investment objectives.

The Trustees recognise the importance of asset allocation to the overall investment returns achieved, however, given the approach to managing the investments, the Trustees also recognise that the asset allocation will change as a result of a range of factors, including:

- changes in market conditions changing the allocation to different asset types.
- changes to the liability structure of the Scheme.

5. Cash flow and Rebalancing

New money will be invested (or disinvestments required for cash flow made) on a mechanical basis to bring the asset allocation back to the benchmark strategy as far as possible.

The Trustees are mindful of the need to rebalance the assets of the Scheme in line with the Scheme's target benchmark asset allocation and/or when any control limits are breached. The Trustees will monitor the Scheme's actual asset allocation on a regular basis and will decide on a course of action, which may involve redirecting cash flows, a switch of assets, or taking no action, taking into account advice from the Investment Consultant.

6. Investment Manager

The Trustees utilise an investment manager to manage the assets of the Scheme. The Investment Manager is regulated by the Financial Conduct Authority.

The Trustees have decided to take a direct investment approach via two bespoke investment mandates with Tilney Smith & Williamson (the group was created in Sep 2020 following the merger of Tilney and Smith and Williamson) whereby the investment strategy is tailored to the Scheme's requirements rather than investing in pooled funds.

The managers of each of the bespoke mandates are responsible for the appointment and monitoring of the custodian of the Scheme's assets.

7. Investment Monitoring

The Investment Manager provides the Trustees with monthly investment reports, including a valuation of all the investments held for the Scheme.

The Investment Manager periodically attends Trustee meetings in order to report on their activity and performance, to outline their views on future investment conditions and to answer any questions the Trustees may have.

The Investment Manager will supply the Investment Consultant with sufficient information when requested in order to monitor financial and non-financial performance.

8. Portfolio Turnover Costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by strategy and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategies.

The Investment Managers when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

9. Corporate Governance

The Trustees wish to encourage best practice in terms of activism. The Trustees accept that the day-to-day application of voting rights will be carried out by the investment manager. Consequently, the Trustees expect the Scheme's Investment Manager to adopt a voting policy that is in accordance with best industry practice.

10. Responsible Investment and stewardship

The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjustment investment returns. The Trustees expect its investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees assess the ESG integration capability of its investment managers.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.

The Trustees do not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of the Scheme's investments.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustees expect the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

11. Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.

12. Incentivisation of Investment Managers

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

13. Employer Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

14. Risks

The Trustees recognise that a number of risks are involved in the investment of the assets of the Scheme. They have identified the following principal risks which have the potential to cause deterioration in the Scheme's funding level:

- Solvency risk: The risk that the fund has insufficient assets to meet all its liabilities as they fall due.
- Mismatching risk: The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Manager risk: The failure by the investment manager to achieve the rates of investment return assumed.
- Liquidity risk: The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities.
- Custodian risk: The risk of failed or inadequate performance by the custodian.
- Concentration Risk: The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets.
- Political risk: The financial risk that a country's government will suddenly change its policies.
- Sponsor risk: The possibility of failure of the Scheme's sponsoring employers.
- Counterparty risk: The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme.
- Interest and inflation risk: There is a risk that the assets do not move in the same way as the liabilities following a change in fixed and / or real interest rates.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustees is to monitor, where possible, these risks on a regular basis. The Trustees therefore consider:

- The actual funding level versus the Statutory Funding Objective.
- Actual performance versus the Scheme's investment and funding objectives.
- Investment managers' performance versus their respective benchmarks and targets.
- Any significant issues with the investment manager that may impact their ability to meet investment performance objectives set by the Trustees.

15. Fee Structures

The Investment Manager fees are as follows:

Mandate which originated with Smith & Williamson

Investment Services Fee	0.30% p.a. + VAT
Custodian Fees	0.10% p.a.
Commission on transactions	0.40% for fixed income securities
	0.60% for equity securities

Mandate which originated with Tilney

Annual Strategic Advice Fee	£500 p.a. VAT
Annual Management Fee	0.35% p.a. + VAT

In addition, third party fund management fees may also apply.
The Investment Consultant is paid on a project basis which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

16. Best Practice Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Schemes (NAPF) in 2007. This takes the form of six high level 'Best Practice' principles set out below, supported by best practice guidance and trustee tools that can be used to assess compliance.

1. Effective decision-making
2. Clear objectives
3. Risk and Liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and Reporting

The Trustees periodically review their compliance with the best practice Principles. The Trustees believe that they comply with the spirit of the Principles. There may be some instances of deviation from the published Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

17. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Approved by the Trustees of the John G Russell (Transport) 1989 Retirement Benefits Scheme on:

1st March 2021

K.I.A. MACLEOD. TRUSTEE