

John G Russell (Transport) Limited 1989 Retirement Benefit Scheme

Statement of Investment Principles

18 March 2025

Contents

1	Introduction	3
2	Investment Decision Making	3
3	Investment Objectives.....	4
4	Setting the Investment Strategy.....	5
5	Realisation and Rebalancing of Assets	6
6	Expected Returns	6
7	Risks	7
8	Security of Assets	7
9	Responsible Investment & Stewardship	8
10	Conflicts of Interest	9
11	Duration of Investment Arrangements	9
12	Incentivisation of Investment Managers	9
13	Portfolio Turnover Costs	10
14	Monitoring	10
15	Review of Statement.....	10
Appendix A	Investment Strategy Implementation Summary.....	11

Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the John G Russell (Transport) Limited 1989 Retirement Benefit Scheme (the Scheme).

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members on request to the Trustees or online.

Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustees. The Trustees' investment powers are set out in Rule 4 of the Scheme's Trust Deed and Rules, dated 5 April 1989, as amended. The powers granted to the Trustees under this Clause are wide and this Statement is consistent with those powers.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated for its advice and its appointment is reviewed from time to time by the Trustees.

The Trustees have also consulted the Principal Employer when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

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. The Trustees' investment objectives are as follows:

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 at least 100% based on the Scheme's ongoing valuation basis at 1 April 2023 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 1.3% per annum above the return on liability matching government bonds over a rolling three-year period.

Setting the Investment Strategy

Details of the investment strategy are set out in the Appendix to this Statement.

The Trustees' policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may also:</p> <ul style="list-style-type: none"> • Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. • Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it. • Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.
Target Asset Allocation	<p>The Trustees will set a Target Asset Allocation (including Target Hedging Ratios) from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available, and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.</p> <p>The Trustees have agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Scheme's liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustees' risk appetite changes and the Scheme matures.</p>
Delegation to Investment Managers	<p>The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.</p>
Maintaining the Target Asset Allocation and Target Hedging Ratios	<p>The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation or Target Hedging Ratios. Maintaining the Target Hedge Ratios will take precedence over maintaining the Target Asset Allocation.</p>
Employer Related Investments	<p>The Trustee's policy is not to hold any direct employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.</p>

The Trustees have decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- pooled funds allow the Scheme to invest in a wider range of assets which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

Realisation and Rebalancing of Assets

The assets are held in a combination of pooled funds and direct investments, and are fully and readily realisable.

The Trustees make disinvestments from the Investment Managers with the assistance of their administrators, Broadstone, as necessary, to meet the Scheme's cashflow requirements.

New money will be invested (or disinvestments required for cash flow purposes) to bring the asset allocation back to the Target Asset Allocation, as far as possible.

Expected Returns

The Trustees' objective is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities. The Trustees expect the target asset allocation to produce a return in excess of the long-term growth in the value of the liabilities.

Over the long term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
Corporate bonds	To achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
Government Bonds	To achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts.
LDI funds	In line with the sensitivity of the liabilities to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustees from time to time.
Cash	In line with the return on comparable money market funds and the prevailing rates of short-term interest rates.
Equities	A return well in excess of the risk-free rate, measured by reference to gilt yields.

Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and consider that the target asset allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant.

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's liabilities.

The calculation of the Scheme's liabilities uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the liabilities are sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

To mitigate the risk of the Scheme's funding level deteriorating, the Scheme has implemented a new investment strategy designed to broadly match the movement of the Scheme's liabilities. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's liabilities.

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes in the investment strategy with their investment adviser, Broadstone.

The Trustees will monitor the investment, covenant and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

Security of Assets

The day-to-day activities that the Investment Managers carry out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme's assets held with the Investment Managers are performed by custodians appointed by them.

The Trustees have considered the security of the Scheme's holdings with the Investment Managers, allowing for their status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustees' policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	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-adjusted investment returns. The Trustees expect the 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 the investment managers.
Non-Financially Material Considerations	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. This position is kept under review.
Engagement and Voting Rights	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 annual basis the Trustees (delegating to the investment adviser where appropriate) assess the stewardship and engagement activity of their investment managers.
Capital Structure of Underlying Companies	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.

The voting policies of the Investment Managers can be found at the following websites:

- LGIM - <https://www.lgim.com/uk/en/responsible-investing/investment-stewardship/>
- Waverton- <https://www.waverton.co.uk/responsible-investment>

The Trustees' views on how ESG issues are taken account of in each asset class used are set out below:

Asset Class	Active/Passive Managed	ESG Views
LDI Funds	Passive	LDI funds have no underlying investee companies. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Asset Class	Active/Passive Managed	ESG Views
Cash	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Corporate Bonds	Active	Corporate bond funds have underlying investee companies, but the nature of these securities is so that they do not have any voting rights attached to their ownership. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Government Bonds	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Equities	Active	The Trustees expect the investment managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustees also expect their investment managers to engage with the underlying investee companies, where possible.

The Trustees will review the stewardship policies, and review whether their stewardship policies are aligned, of any new investment managers appointed, as well as assessing the stewardship and engagement activity of the current Investment Managers on an ongoing basis.

Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and conflicts 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 Manager, while also setting out a process for their management.

Duration of Investment Arrangements

The Trustees specific long-term investment objective is to achieve an investment return of approximately 1.3% per annum above the liability matching gilts.

Incentivisation of Investment Managers

The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund or investment.

The Trustees do not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Managers 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 Managers 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.

Portfolio Turnover Costs

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

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Managers provide information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

Monitoring

Legal & General provide the Trustees with quarterly investment reports, including a valuation of all the investments held for the Scheme. Waverton provide the Trustees with monthly investment reports, including a valuation of all the investments held for the Scheme.

The Investment Managers periodically attend Trustee meetings 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 Managers will supply the investment adviser with sufficient information when requested to monitor financial and non-financial performance.

Review of 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.

 TRUSTEE

For and on behalf of John G Russell (Transport) Limited 1989 Retirement Benefit Scheme

Date: 18 March 2025

Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation

The Target Asset Allocation for the Scheme’s assets is as follows:

Asset Class	Target Asset Allocation
LDI*	40.0%
Bonds	30.0%
Equities	30.0%
Total	100.0%

*Includes the Scheme’s allocation to cash.

The target is indicative only and the underlying objective for these assets will be to maintain the target hedging levels, which protect against changes in long-term interest rates and inflation expectations.

A.2 Platform Provider

The Trustees entered into a contract with Legal & General Investment Management and Waverton in November 2024. The Investment Managers undertake day-to-day investment management of the Scheme’s assets.

The Investment Managers are authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

A.3 Strategies and Funds

The Trustees use the following funds operated by the Investment Managers:

Asset Class	Funds
LDI	LGIM Matching Core Real Short Fund LGIM Matching Core Real Long Fund LGIM Matching Core Fixed Long Fund
Cash	LGIM Sterling Liquidity Fund
Bonds	LGIM Maturing Buy & Maintain Credit 2035-2039 Fund LGIM Maturing Buy & Maintain Credit 2040-2054 Fund Waverton Segregated Bond Portfolio
Equities	Waverton Segregated Equity Portfolio

A.4 Target Hedging Ratios

The target hedging ratios against the interest rate risk and inflation risk associated with the Scheme's liabilities are summarised below:

	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

A.5 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge (AMC)
LGIM Maturing Buy & Maintain Credit 2035-2039 Fund	0.15% p.a.
LGIM Maturing Buy & Maintain Credit 2040-2054 Fund	0.15% p.a.
LGIM Matching Core Real Short Fund	0.24% p.a.
LGIM Matching Core Real Long Fund	0.24% p.a.
LGIM Matching Core Fixed Long Fund	0.24% p.a.
LGIM Sterling Liquidity Fund	0.13% p.a.
Waverton Segregated Bond Portfolio	0.60% p.a.
Waverton Segregated Equity Portfolio	1.02% p.a.*

* The Waverton Segregated Equity Portfolio was 80% invested at this statement's point of issue, therefore the AMC will increase slightly when fully invested. Waverton's management fee is as follows: the first £5,000,000 is charged at 0.75% p.a. the next £5,000,000 at 0.70% p.a, and 0.65% p.a. thereafter. The figures above include Waverton's management fee and the AMCs of any underlying funds used in the portfolios.

In addition to the above fees, LGIM also charge a flat fee of £1,500 per annum, which falls to £1,000 per annum should the asset value exceed £10 million.

A.6 Additional Voluntary Contributions (AVCs)

Members are not permitted to make AVCs to the Scheme.