RICKERBY LIMITED STAFF PENSION AND ASSURANCE SCHEME
STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

1.1 This is the Statement of Investment Principles prepared by the Trustees of the Rickerby Limited Staff Pension and Assurance Scheme. This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010; the Occupational Pension Schemes (Charges and Governance) Regulations 2015; the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

1.2 The purpose of this Statement is to describe the general approach of the Trustees to the investment of the Scheme's assets and the Trustees' policy for securing compliance with Section 36 of the 1995 Act as amended by Section 245 of the 2004 Act.

1.3 The Trustees have prepared this Statement on the basis of written advice from the Scheme Actuary. The Trustees believe that the Actuary is sufficiently qualified to provide this advice.

1.4 The Trustees have also consulted Rickerby Limited (the "Employer") when preparing this Statement and a signed copy of this Statement has been provided to the Employer.

1.5 This Statement will be reviewed by the Trustees at least every three years or more frequently if there is a significant change in the Scheme's circumstances. In particular, this Statement will be reviewed if there is any significant change in investment policy.

1.6 The Trustees' powers of investment are those under the relevant legislation. In general the Trustees are not restricted by the Scheme's Trust Deed and Rules in the kind of investments they can make.

2. Financial Position of the Scheme

2.1 The last actuarial valuation was carried out with an effective date of 31 October 2017. This valuation indicated that, on the basis of the "ongoing" assumptions, the funding level of the Scheme as a whole was 98%.

2.2 Since this valuation the Trustees have undertaken annual updates of the funding position. Furthermore, the Employer has made a number of additional contributions to the Scheme since this date.

2.3 The next actuarial valuation is due with an effective date of 31 October 2020. The Trustees will review this Statement and the Scheme's investment strategy following completion of the valuation process.

3. Attitude to Risk

3.1 The Trustees' attitude to risk reflects the long term nature of the Scheme's liabilities.

3.2 The Trustees' overall objective for the defined benefit section is to provide the benefits described in the Scheme's Trust Deed & Rules at an acceptable cost to the Employer. This latter constraint means that the Trustees are unable to adopt a minimum risk investment strategy. Therefore, the Trustees must take some investment risk, provided that this is appropriate given the liabilities and circumstances of the Scheme and the financial strength of the Employer.

3.3 In order to provide the required level of benefits the Trustees are relying on the willingness and the ability of the Employer to financially support the Scheme in the future.

3.4 The Trustees' overall objective for the defined contribution section is to maximise members' benefits subject to an acceptable degree of investment risk. The Trustees have taken into account members' likely attitude to risk and term to retirement.

3.5 The Trustees have decided not to take any excessive or unnecessary risks in their long-term investment strategy.

3.6 The Trustees have identified the main investment risks facing the pension scheme as follows:

- the Scheme has insufficient assets to provide the promised level of benefits as and when they fall due;
- the Scheme has insufficient assets to provide the promised level of benefits should the Scheme wind up;
- the Scheme has insufficient assets to cover the estimated value of the benefits at the date of a triennial actuarial valuation;
- the benefits available to members of the Plan's defined contribution section are lower than anticipated due to the default strategy selected.

3.7 The need to provide the benefits at an acceptable cost to the Employer means that the Trustees are unable to guarantee that the defined benefit section of the Scheme will always have sufficient assets to meet its liabilities should the Scheme wind up at some point in the future.

3.8 By taking investment risk the Trustees are unable to guarantee the Scheme will always have sufficient assets to meet its liabilities in full. This means there is a possibility that if the Employer is unable to financially support the Scheme in the future, the Scheme could be forced to wind up with insufficient assets to meet the liabilities with a subsequent reduction in the level of benefits provided to members of the defined benefit section of the Scheme.

3.9 By taking investment risk, the Trustees also recognise the possibility that the Scheme will have insufficient assets to cover the liabilities at the date of a triennial actuarial valuation. In these circumstances, the Trustees are relying on the Employer to pay sufficient contributions over a period of time to cover any deficits which are disclosed by a triennial actuarial valuation.

3.10 The Trustees recognise the different types of risks set out in section 3.6 and seek to minimise them as far as possible by regular monitoring of the performance of the Investment Manager, seeking advice from the Actuary on the suitability of the assets with regard to the Scheme's liabilities, and ensuring that the investment manager maintains a suitably diversified portfolio of investments.

3.11 The Trustees have adopted a passive investment style that minimises the risk of underperformance by the investment manager. This approach also significantly reduces the costs of investment management.

3.12 Actuarial valuations of the Scheme are undertaken every three years allowing the Trustees to measure the Scheme's funding level on a regular basis. This allows the Trustees to take appropriate steps to minimise the risk from underfunding by securing contributions from the Employer and regularly reviewing the suitability of its investment strategy. In addition, the Trustees undertake an informal review of the funding position of the Scheme on an annual basis.

4. Long Term Investment Strategy – Defined Contribution Section

4.1 The Trustees have adopted an investment strategy which is intended to ensure that, as far as possible, the Scheme has sufficient assets to provide benefits as and when they fall due. This is based on an assumption that the Scheme is ongoing and does not wind up in the future.

4.2 As described above, the Trustees recognise the need to take investment risk when setting their investment strategy. In setting a strategy the Trustees have considered the liabilities of the Scheme and the age profile of these liabilities. In particular, the Trustees have regard for the fact that the Scheme is closed to new entrants and therefore the age profile of the liabilities will mature in the future.

4.3 The Trustees' long term investment strategy can be summarised as follows:

- to invest in bonds in relation to shorter term liabilities
- to invest in equities in relation to longer term liabilities

4.4 The Trustees' strategy is based on the fundamental assumption that, over the long term, equities will outperform bonds although it is impossible to predict what will happen in the future. In the short term, the performance of equities is likely to be more volatile than the performance of bonds which could, in turn, lead to unwelcome volatility in the Employer's contribution rate.

4.5 The Trustees have adopted a strategy of setting a benchmark holding of approximately 45% of the Scheme's assets in equities and 55% in bonds.

4.6 The Trustees recognise that the proportion of the Plan's liabilities relating to shorter term liabilities will increase over time. As a result, this strategy will be reviewed following completion of the next actuarial valuation due with an effective date of 31 October 2020.

5. Long Term Investment Strategy – Defined Contribution Section

5.1 The Trustees have adopted an investment strategy which is intended to ensure that members' benefits are maximised after taking into account members' likely attitude to risk.

5.2 The default investment strategy will be a "life-styled" approach, where funds are invested in asset classes with a higher expected rate of return at younger ages and gradually switched to funds that offer greater security closer to retirement in order to provide some protection against changes in annuity prices.

5.3 For members more than ten years from retirement assets are invested in the Consensus Fund. Commencing at age 55 assets are switched gradually to the Pension Protection Fund and at age 63 the Cash Fund so at retirement 75% of the assets will be invested in the Pension Protection Fund and 25% in the Cash Fund.

6. Investment, Management and Performance Measurement

6.1 The Trustees have delegated the investment of the Scheme's assets to Scottish Widows Investment Management Limited as the Scheme's investment manager.

6.2 The Scheme's assets are invested in index-tracking funds with Scottish Widows. These are pooled funds that are realisable at short notice. The Trustees have chosen to invest in the following funds in respect of the defined benefit Section:

Fund	Benchmark
Consensus Mixed Fund	Median fund in the Balanced Sector (excluding Property) section of the CAPS Balanced Fund Survey
Pension Protection Fund	FTSE UK Gilts Over 15 Years Index

6.3 The asset allocation benchmark adopted by the Trustees is for approximately 45% of the assets to be invested in the Consensus Mixed Fund and 55% in the Pension Protection Fund.

6.4 The Trustees' overall performance benchmark is a combination of the individual performance benchmarks weighted using the asset allocation benchmark.

6.5 The defined contribution section will invest in the following pooled, index-tracking funds with Scottish Widows:

- Consensus Mixed Fund
- Pension Protection Fund
- Cash Fund

6.6 The Trustees review the performance of Scottish Widows on a regular basis with the help of their advisers.

7. Fee Structure

7.1 There is a written policy in place between the Trustees and the investment manager to pay fees as a proportion of funds under management.

7.2 The Trustees have a written agreement in place with the Scheme's Actuaries and Consultants, Barnett Waddingham LLP, to provide investment advice on a time cost basis.

8. Environmental, Social and Governance (ESG) considerations

8.1 The Trustees undertook training with their investment advisors to consider the financial materiality of environmental, social and governance issues, including climate change (referred to together as “ESG issues”). Based on the research findings presented during this training and their discussions, the Trustees view ESG issues within an investment context as potentially financially material over the long-term, however, the Trustees believe that ESG factors should be taken into account alongside other financially material factors.

8.2 Given that the DB Section of the Scheme remains open to accrual, the Trustees have a long-term time horizon over which it takes into account the financial materiality of ESG issues for this Section. The Trustees are also cognisant of the different investment timeframes that members of the DC Section will have. The Trustees believe that ESG issues, and particularly climate change issues, have the potential to be more important for members who are further from retirement, as the financial materiality of such issues will have a greater impact over a longer timeframe.

8.3 ESG factors will be taken into account in the selection, retention, and realisation of assets as follows:

8.3.1 Selection: The Trustees will consider how ESG factors are taken into account in the selection of investments with the Scheme's investment managers. When appointing a new mandate, the Trustees will request that investment managers provide information regarding their ESG credentials. These credentials will then be taken into account alongside other factors in the decision as to whether to appoint each manager. The Trustees will also consider alongside other matters whether any new investment manager is a signatory to the United Nations supported Principles for Responsible Investment (PRI).

8.3.2 Retention: The Trustees will request information regarding the ESG practices of the Scheme's investment managers, and will review this on a regular basis, to consider whether these remain appropriate.

8.3.3 Realisation: The Trustees will consider how ESG factors are taken into account in the realisation of investments with the Scheme's investment managers.

8.4 Policy for monitoring ESG policy:

8.4.1 The Trustees will arrange for further training on ESG factors to be provided as research and regulatory requirements around the factors develop.

8.4.2 The Trustees will request information from time to time from the Scheme's investment managers about how they have integrated ESG into their investment process. This should include information on how investments have been selected or realised for ESG purposes.

8.5 The Trustees will produce an annual implementation report which will include details of how the Trustees have followed and acted on these policies in relation to the DC Section of the Scheme.

9. Stewardship of investments

9.1 The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.

9.2 The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

9.3 The Trustees also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

9.4 If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

10. Non-financially material considerations

10.1 The Trustees have not considered non-financially material matters, including members' and beneficiaries' views, in the in the selection, retention and realisation of investments..

11. Investment Manager Arrangements

Incentives to align investment managers investment strategy and decisions with the Trustees' policies

11.1 The Scheme invests in pooled funds and so the Trustees acknowledge the Scheme's investment strategy and decisions cannot be tailored to the Trustees' policies. However, the Trustees set their investment strategy and then select managers that best suit their strategy taking into account the fees being charged, which acts as the fund manager's incentive.

11.2 The Trustees use the fund objective/benchmark as a guide on whether their investment strategy is being followed and monitor this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial 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

11.3 The Trustees select managers based on a variety of factors including investment philosophy, and process, which they believe should include assessing the long term financial and non-financial performance of the underlying company.

11.4 The Trustees also consider the manager's voting and ESG policies and how it engages with the company as the Trustees believe that these can factors can improve the medium to long-term performance of the investee companies.

11.5 The Trustees will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

11.6 The Trustees acknowledge that in the short term, these policies may not improve the returns they achieve, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

11.7 The Trustees believe the annual fee paid to the fund managers incentivise them to do this.

11.8 If the Trustees feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, they will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies

11.9 The Trustees review the performance of each fund annually on a net of fees basis compared to its objective.

11.10 The Trustees assess the performance periods of the funds over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

11.11 The fund manager's remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustees' policies.

How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

11.12 The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the investment monitoring process. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

11.13 The Trustees define target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

11.14 The Trustees have delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

The duration of the arrangement with the asset manager

11.15 The Trustees plan to hold each of its investments for the long term but will keep this under review.

11.16 Changes in investment strategy or changes in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

12. Governance

12.1 The Trustees of the Scheme are responsible for the investment of Scheme assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision.

13. Additional Voluntary Contributions

13.1 The Trustees recognise that the needs of members paying AVCs will vary according to their attitude to risk, investment sophistication and time to retirement. They have therefore made available AVC funds with Scottish Widows in the Consensus Mixed, Pension Protection and Cash Funds. In addition, The Trustees hold historic AVCs in funds with Friends Provident and Scottish Friendly (Formally MGM Assurance).

13.2 The Trustees keep the AVCs of the Plan under regular review.

Agreed as a final version by the Trustees of the Rickerby Limited Staff Pension and Assurance Scheme

Date: 29 September 2020