Daniel Thwaites Supplementary Pension Scheme
Statement of Investment Principles

This Statement of Investment Principles ('SIP') has been prepared by the Trustees of the Daniel Thwaites Supplementary Pension Scheme ('the Scheme') to comply with the requirements of the Pensions Acts 1995, as amended, and the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018, and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2019.

This SIP is effective from June 2022.

Investment Objectives

The Trustees' objectives are:

- 'Funding objective' - to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- 'Stability objective' - to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve.The Trustees will take into account the strength of Employer's covenant when determining the expected improvement in the solvency position of the Scheme
- 'Security objective' - to ens1.1re that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustees will take into account the strength of Employer's covenant when determining the expected improvement in the solvency position of the Scheme.

Allocation of Assets

The Trustees consider the assets of the Scheme to be invested in a portfolio of 'return-seeking' and 'risk-reducing' assets.

The **'return-seeking' assets** (86% over the long term) have the objective of improving the funding position of the Scheme. The 'return-seeking' portfolio invests in equity funds, and return-seeking multi asset credit funds and target return funds.

The **'risk-reducing'** portfolio (14% over the long term) has the objective of providing investment performance which broadly follows the movements in the value of the Scheme's liabilities. The Scheme's risk-reducing portfolio invests in corporate bonds and liability-driven investments (LDI).

Risks

The Scheme is exposed to a number of different investment risks. These include risks relating to:

- Funding - i.e. that the Scheme has insufficient assets to cover 100% of the accrued liabilities
- Mismatching - arising from a difference in the sensitivity of asset and liability values to financial and demographic factors
- Cash flows - arising from a shortfall of liquid assets relative to the Scheme's immediate liabilities
- Investment managers - arising from a failure to meet target returns
- Diversification - an inadequate spread of investments and sources of return
- Covenant - the possibility of failure of the Scheme's sponsor
- Counterparty - arising from the failure of a third party to fulfill its obligations under a financial (e.g. derivative) contract entered into with the Scheme
- Operations - fraud, poor advice or negligence.

The Trustees can reduce their exposure to these risks by careful structuring of their funding and investment management arrangements and through their contracts with the Scheme's investment managers. It also closely monitors these risks and receives formal quarterly reports on funding, cash flows, investment managers (including performance) and diversification. Counterparty risk is reduced by limiting exposure to a single counterparty together with the use of a collateral mechanism for derivative positions that is calculated daily.

Operational risk is reduced as far as possible by due diligence on the appointment and review of investment managers and advisers, and by contracts of engagement.

Choosing Investments
Barnett Waddingham has been selected as investment adviser to the Trustees. It operates under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate.

The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored fund managers through written contracts. When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

Details of the appointed managers can be found in a separate document produced by the Trustees entitled 'Summary of Investment Arrangements'.

Direct Investments
The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments. Assets directly held by the Trustees, including policies of assurance such as AVCs, will be regularly reviewed to ensure that they continue to be appropriate, and written advice will be obtained from the Investment Adviser. The Trustees will use the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005 when selecting direct investments.

Environmental, Social and Governance (ESG) considerations:
The Trustees have received training on ESG factors, and have discussed the extent to which ESG factors, including climate change, should be taken into account in the Scheme's investment strategy. The Trustees' policy towards ESG factors is that they believe that these factors could be financially material for the Scheme over the long term. These factors will be taken into account in the selection, retention, and realisation of assets as follows:

- 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 require any new investment manager to be a signatory to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Scheme's investment managers are all PRI signatories.
- 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.
- Realisation: The Trustees will consider how ESG factors are taken into account in the realisation of investments with the Scheme's investment managers.

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

The Trustees will request information annually 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.

Stewardship:
Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme's investments, and the engagement by and with investment managers and other stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) on all relevant matters. This includes on ESG, performance, capital structure and conflicts of interest.

The Trustees delegate responsibility for stewardship activities attaching to the Scheme's investments to its investment managers. Investment managers are expected to exercise voting powers with the objective of preserving and enhancing long-term shareholder value. In addition to the exercise of voting rights, investment managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

The Trustees also engage with their investment consultants to monitor manager performance and ESG and Stewardship activities.

The Trustees periodically review engagement activity undertaken by their investment managers to ensure that the policy outlined above is being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and expects the Scheme's investment managers to have corporate governance policies in place which comply with these principles. The Trustees will review the signatory status of all of its investment managers following anticipated revisions to the UK Stewardship Code in 2022.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

Non-financial factors
The Trustees do not take into account individual members' and beneficiaries' views, including in relation to ethical matters, social and environmental impact and present and future quality of life (referred to in the Regulations as "non-financial factors"), in the selection, retention and realisation of investments.

Manager arrangements
The Trustees monitor the performance of their investment managers over the medium to long term periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.
The Scheme invests exclusively in pooled funds.

The Trustees also assess the ESG and Stewardship activities of their managers, and engage with managers and their investment consultants if this is not in line with the Trustees expectations.

A manager can be replaced if they do not meet the Trustees' objectives in terms of performance and/or stewardship over the period of investment. This incentivises the manager to communicate and meet the objectives set.

The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied. Details of the fee structures for the Scheme's investment managers are contained in the Summary of Investment Arrangements.

Other than for LDI assets, the Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

For LDI assets, the setting of a clear benchmark linked to the value of the Scheme's liabilities incentivises the manager to manage the portfolio in line with Trustees' risk management requirements. The Trustees acknowledge that a fall in the value of the LDI portfolio, in line with a fall in the value of the liabilities, would reduce the remuneration paid to the manager.

The Trustees do not consider this to be a disincentive for the manager to invest in line with its benchmark, because the Trustees make clear to its LDI manager that any material deviation from its benchmark which is considered out of line with the manager's expected approach could result in the appointment of a replacement LDI manager.

The Trustees liaise with their Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

The Trustees acknowledge that portfolio turnover costs can impact on the performance their investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustees consider both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with 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.

Custody and Accounting
Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the Employer.

Review of the Statement of Investment Principles
This SIP will be reviewed at least every three years or immediately following a change of investment policy. Written advice on any changes will be taken from the Investment Adviser the employer will also be consulted.

Adopted by the Trustees of the Daniel Thwaites Supplementary Pension Scheme in June 2022.

Daniel Thwaites Supplementary Pension Scheme
Summary of Investment Arrangements

The Statement of Investment Principles ('SIP') of the Daniel Thwaites Supplementary Pension Scheme ('the Scheme') sets out the guiding principles upon which the Scheme's investments are based. The purpose of the present document is to provide details of the specific investments in place.

Investments
As at June 2022, the Scheme’s dedicated professional investment managers and their respective objectives within each asset class are as follows.

Manager	Asset Class	Target allocation	Annual Management Charge	Objective
State Street Global Advisors	UK equities	25.0%	0.06% p.a.	Track the FTSE All Share ex Controversies ex CW Index gross of fees.
State Street Global Advisors	North American equities	15.0%	0.06% p.a.	Track the FTSE North America ex Controversies ex CW Index gross of fees.
Carnegie Asset Management	Global equities	11.0%	Fixed base fee of 0.10% p.a. on AUM. No performance fee, plus 15% outperformance fee.	Outperform the MSCI All Countries World Index by 3.0% p.a. net of fees.
Ruffer Investment Management	Target return	5.0%	1.2% p.a.	To achieve a positive return with a focus on capital preservation in all market conditions after all costs and charges have been taken, over any 12 month period.
Troy Asset Management	Target return	15.0%	1.0% p.a.	Outperform UK RPI over the long term (5-7) years net of fees.
Janus Henderson	Return-seeking Multi-Asset credit	7.5%	Tiered base fee on the Assets Under Management (‘AUM’) of 0.5% p.a. on the first £10.0m, 0.4% p.a. on the next £40.0m, 0.37% p.a. on the next £50.0m and 0.35% p.a. thereafter. No performance fee	Outperform SONIA by 4-5 % p.a. over a 3-5 year investment horizon, gross of fees.
CQS	Return-seeking Multi-Asset credit	7.5%	0.75% p.a.	Outperform SONIA by 4-5% p.a. over a full market cycle, net of fees.
State Street Global Advisors	UK Gilts	5.0%	0.06% p.a.	To track the FTSE Actuaries UK Conventional Gilts over 15 years Index
State Street Global Advisors	Corporate bonds	5.0%	0.06% p.a.	To track the Bloomberg Sterling Aggregate 100 mm Non-Gilts Index
BMO Global Asset Management	Liability Driven Investment	2.5%	Tiered base fee on the Assets Under Management (‘AUM’) of 0.28% p.a. on the first £15.0m, 0.24% p.a. on the next £30.0m and 0.20% p.a. thereafter. No performance fee	Provide liability hedging by offering interest rate protection which replicates the liability profile of a typical UK defined benefit pension scheme. The manager constructs the portfolio using a blend of hedging instruments selected to

				provide the required hedging characteristics whilst favouring the instruments that offer the highest yield.
BMO Global Asset Management	Global Low Duration Credit	1.5%	0.125% p.a.	Provide a total return commensurate with investment in low duration non-government bonds

Cash Balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance, which is carefully monitored by the scheme's administrator.

LDI leverage rebalancing

The LDI portfolio employs leverage (i.e. the level of protection provided against changes in longer-term interest rates/inflation expectations is greater than the amount invested). Should the leverage within the LDI fund deviate substantially from the fund's target leverage level, BMO will rebalance the LDI fund back to the target leverage level. These LDI leverage rebalancing events could result in money being requested or released from the LDI fund.

The Trustees have agreed that distributions from the LDI portfolio will typically be directed towards the BMO Global Low Duration Fund.

In relation to requests for funds to be paid into the LDI portfolio, the Trustees will review each request on a case-by-case basis and decide whether to meet the request, taking into account market conditions. Should the Trustees decide to meet a request, the funds will typically be taken from the BMO Global Low Duration Fund. The Trustees acknowledge that where a request is not met, BMO will reduce the level of leverage in the portfolio through the cancelation of some LDI holdings, which will in turn reduce the level of hedging provided by the LDI portfolio.

The Trustee may decide to change this cash flow and rebalancing policy from time to time, subject to receiving the necessary advice from its investment consultant.

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