

# George Wilson Industries Pension Plan

## Statement of Investment Principles

## Contents

1	Introduction.....	3
2	Choosing Investments.....	3
3	Investment Objectives.....	4
4	Kinds of investments to be held .....	4
5	The balance between different kinds of investments.....	4
6	Risks.....	5
7	Expected return on investments .....	6
8	Realisation of investments .....	6
9	Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities.....	6
10	Policy on arrangements with asset managers.....	7
11	Agreement.....	8
	Appendix 1 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities .....	9

## 1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustee of the George Wilson Industries Pension Plan (the Plan). This statement sets down the principles governing decisions about investments for the Plan 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; and
    - the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
    - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2 In preparing this statement the Trustee has consulted BI Group Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4 The Trustee will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.
- 1.5 The investment powers of the Trustee are set out in Clause 39 of the Definitive Trust Deed & Rules, dated 29 March 1996. This statement is consistent with those powers.

## 2 Choosing investments

- 2.1 The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2 The day-to-day management of the Plan's assets is delegated to one or more fund managers. The Plan's fund managers are detailed in the Statement of Asset Strategy. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3 The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

## 3 Investment objectives

3.1 The Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Plan's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current benefits which the Plan provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.

3.2 The Trustee recognises that these objectives may conflict. For example a greater allocation to more defensive assets may give greater security but may result in a level of contributions which the employer may find too difficult to support. The Trustee also recognises that in resolving this conflict, it is necessary to accept some risk.

3.3 The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities at any time. The Trustee has obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

## 4 Kinds of investments to be held

4.1 The Plan can invest in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
- Annuity policies.

4.2 Any investment in derivative instruments is made to contribute to a reduction in the overall level of risks in the portfolio, for the purposes of efficient portfolio management, or as part of the managers' investment strategy to add additional returns to the portfolio.

4.3 The Trustee monitors from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Plan's auditors.

## 5 The balance between different kinds of investments

5.1 The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within the Statement of Asset Strategy.

- 5.2 The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Statement of Asset Strategy.
- 5.3 From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short term cashflow requirements or any other unexpected items.
- 5.4 The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

## 6 Risks

- 6.1 The Trustee has considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and has considered ways of managing/monitoring these risks:
- 6.2 **Risk versus the liabilities** The Trustee will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
- 6.3 **Asset Allocation risk** The asset allocation is detailed in the Statement of Asset Strategy and is monitored on a regular basis by the Trustee.
- 6.4 **Investment manager risk** The Trustee monitors each of the Plan's fund manager's performance on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.
- 6.5 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- 6.6 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).
- 6.7 **Liquidity risk** The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
- 6.8 **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
- 6.9 **Solvency and mismatching** Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
- 6.10 **Currency risk** The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

Currency hedging is employed by the Plan's fund managers at their discretion in order to manage this risk.

- 6.11 **Governance risk** Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
- 6.12 **ESG/Climate risk** The Trustee has considered long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses. The Trustee receives yearly Sustainability Monitoring Reports in order to monitor the ESG/climate risks that the Plan is exposed to through its investments.

## 7 Expected return on investments

- 7.1 The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.
- 7.2 The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3 In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4 Having established the investment strategy, the Trustee monitors the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position. The Trustee meets the Plan's fund managers as frequently as is appropriate in order to review performance.

## 8 Realisation of investments

- 8.1 The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.
- 8.2 Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

## 9 Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

### Policy on Environmental, Social and Governance ("ESG") considerations

- 9.1 The Trustee has set policies in relation to these matters. These policies are set out in the Appendix.

## 10 Policy on arrangements with asset managers

### Incentivising alignment with the Trustee's investment policies

- 10.1 Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.
- 10.2 When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3 The Trustee monitors the investment strategy at least on a quarterly basis and reviews aspects of the investment strategy as appropriate, giving consideration to the context of the Plan's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis in their Sustainability Monitoring Report.
- 10.4 In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustee.
- 10.5 Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager as appropriate.

### Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6 The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.
- 10.7 When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8 The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

### Method and time horizon for assessing performance

- 10.9 The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

- 10.10 The Plan invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. 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.
- 10.11 The Trustee believes 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.
- 10.12 The Trustee asks the Plan's 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 regularly as part of the review of the Statement of Investment Principles.

### Portfolio turnover costs

- 10.13 The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14 During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. 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. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

### Duration of arrangement with asset manager

- 10.15 For the open-ended pooled funds in which the Plan invests, there are no predetermined lengths of agreement with the investment managers.
- 10.16 The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

## 11 Agreement

- 11.1 This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Plan auditor upon request.

Signed \_\_\_\_\_

Date \_\_\_\_\_

On behalf of the George Wilson Industries Pension Plan



# Appendix 1 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

## Financially Material Considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Plan over the length of time before the Plan can be bought out with an insurer or wound up.

The Trustee has elected to invest the Plan's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustee and the managers of the underlying funds take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

**Selection of investments:** assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels. When selecting new investments, an investment manager's excellence in relation to ESG considerations will not take precedence over other factors, including (but not limited to) historical performance or fees.

**Retention of investments:** Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

**Realisation of investments:** The Trustee will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Plan's investments.

- The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as the Trustee will obtain training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- the Trustee will use the annual Sustainability Monitoring Report, that contains ESG ratings and ESG data from the Plan's investments, to assess how the Plan's investment managers take account of ESG issues; and
- through their investment consultant, the Trustee will request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

## Non-financially material considerations

The Trustee does not take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and

beneficiaries of the Plan (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

## The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Plan's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

## Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustee also considers it part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. This is monitored on an annual basis to ensure that the Principal Employer's business does not exceed 5% of total investments. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on

ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

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

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.

## Policy on stewardship

The Trustee believes that good stewardship and positive engagement can lead to improved governance and potentially better risk-adjusted investor returns. As an investor in pooled funds, the Trustee delegates the exercise of the rights (including voting rights) attaching to the Plan's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. The Trustee expects the asset managers to take account of ESG factors and climate risk when exercising these rights and will monitor this through the annual Implementation Statement.

The Trustee also delegates the undertaking of engagement activities to the asset managers, which includes entering into discussions with company management in an attempt to influence behaviour. As part of this, the Trustee expects the Plan's active investment managers to assess and monitor developments in the capital structure for each of the companies in which the manager invests. This should include monitoring developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure. This expectation has been communicated to the Plan's asset managers.

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider each investment manager's policies on engagement and how those policies have been implemented. If the Trustee finds that any asset manager is not engaging with the companies in which the manager invests in a suitable manner or is not taking sufficient account of ESG matters in its exercising of voting rights, it will engage with that asset manager with the help of the Plan's Investment Consultants.

The Plan's investment consultants, Barnett Waddingham LLP, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the asset manager recommendations they make are free from conflict of interest.

The Trustee expects all asset managers to have and comply with a conflict of interest policy in relation to their respective engagement and ongoing operations. In doing so the Trustee believes they have appropriately managed the potential for conflicts of interest in the appointment of the asset manager and conflicts of interest between the Trustee/asset manager and the companies in which the manager invests.