HINDLE GROUP OF COMPANIES RETIREMENT BENEFITS SCHEME
STATEMENT OF INVESTMENT PRINCIPLES

JULY 2021

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1 INTRODUCTION

This Statement of Investment Principles (“the Statement”) has been prepared by the Trustees of the Hindle Group of Companies Retirement Benefits Scheme (“the Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees’ investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees believe that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives.

They carry out their duties and fulfil their responsibilities as a single body. As each of the Trustees wish to contribute directly to the formulation of the Scheme's investment policy and to the monitoring of the Scheme's investment managers, no Investment Sub Committee has been considered. Moreover, the Trustee board is not so large as to be unwieldy in its operations.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at a total scheme level as well as on a manager by manager basis
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have recently engaged with Mercer as an investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. To date, Mercer have assisted with the production of the Statement of Investment Principles and a Suitability letter only. Mercer can provide advice and assistance on the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Framing manager mandates
- Selecting and replacing investment managers.

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, it recognises that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows (see Appendix 2). Whilst Mercer may be proactive in advising the Trustees regarding tactical investment decisions, the Trustees does not expect Mercer to provide proactive advice in all circumstances.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks.

Section 3.3 below describes the responsibilities of the investment managers to the Scheme.

Mercer is remunerated primarily on a time-cost basis, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of its advice.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 ARRANGEMENT WITH INVESTMENT MANAGERS

The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Scheme.

Investment managers are appointed by the Trustees based on their capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

As the Trustees invest in pooled investment vehicles, they therefore accept that they cannot specify the risk profile and return targets of the managers, but the pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The details of the managers' mandates and the basis of the contract between the Trustees and their investment managers are set out in Appendix 3.

In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment managers are responsible all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The investment managers are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this the most appropriate basis for remunerating the investment managers and is consistent with the Trustees policies as set out in this SIP.

3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the Scheme administrators, so far as they relate to the Scheme's investments, is set out at Appendix 4.

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined the investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, its own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant.

Taking all these factors into consideration, the Trustees have determined a benchmark asset allocation as set out in Appendix 1.

In making this decision, the Trustees have been satisfied that this is consistent with its current investment objectives and is supported by both the employer, and the employer covenant.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to re-balance the assets in accordance with its overall strategy. This approach is set out in Appendix 2.

4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees takes all such decisions themselves. The Trustees endeavour to obtain written advice from its investment adviser and, where necessary, consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the matching portfolios
- Determining the allocation to asset classes within the growth and matching portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation
- Considering whether to undertake a buy-in with an insurance company for all or part of the Scheme's liabilities

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment managers of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes.

The Scheme's assets are invested wholly via pooled vehicles. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

Details relating to the pooled funds in which the Scheme is invested can be found in Appendix 3.

The Trustees recognise the benefits of diversification across asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. The Trustees have therefore invested in actively managed multi-asset funds, which invest across a diversified range of assets.

The Trustees note that it would not be practical (or appropriate) for it to commit the resources necessary to make these decisions across a wide range of asset classes.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all risk factors which can impact the financial performance of the Scheme’s investments over the Scheme’s lifetime. This includes, but is not limited to, environmental, social and governance (ESG) risk factors. Further information on this is on Section 5.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme’s assets and it is therefore in the member’s and the Scheme’s best interests that these factors are taken into account within the investment process.

The Trustees also recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG (Environmental, Social, and Governance) related risks will lead to better risk adjusted performance .

Therefore, the Trustees will work with their investment managers to understand how the funds the Scheme is invested in manage ESG-related risks in the fund.

The Trustees will continue to review the available products and approaches in this space and strive for the Scheme to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme’s investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees are invested solely in pooled investment funds. The Trustees delegate responsibility for engagement matters and exercising voting rights to the pooled fund managers and expects the managers to use their discretion to act in the best financial interest of investors.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise its right in accordance with what they believe to be in the best interests of the majority of the Scheme’s membership.

The Trustees note that the investment managers’ corporate governance policies are available on request and on their respective websites.

4.7 STEWARDSHIP

The Trustees will monitor the investment performance, strategy, risks, ESG policies and corporate governance of the investment managers.

5 RISK

The Trustees are aware, and seeks to take account of a number of risks in relation to the Scheme's investments, all of which the Trustees consider to be financially significant, including the following:

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- They are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk, and by monitoring the development of the funding position on an annual basis.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cash flows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are available to the Trustees on request and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior management of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- This risk is managed by investing in Multi Asset Funds. Within these funds the management of currency risk related to overseas investments is delegated to the underlying investment managers. The managers may, from time to time, take unhedged overseas investment positions in pursuit of growth opportunities or to reduce overall fund risk, although their neutral position is considered to be 100% Sterling

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of interest rate risk movement and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest rate risk.
- The Trustees manage the Schemes' interest rate risk by considering the net risk when taking account of how the liabilities are valued.

Other Price risk

- This is the risk that principally arises in relation to the return seeking assets.
- The Trustees acknowledge that the Scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and has therefore invested in multi asset funds in order to achieve a diversified exposure to different investment markets and manage this risk.

ESG risk

- This is the risk that Environmental, Social or Corporate Governance factors, including climate change, have a financially material impact on the return of the Scheme's assets
- The Trustees manage this risk by investing in pooled fund managers who take such considerations in to account where it is appropriate to do so.

6 MONITORING OF INVESTMENT ADVISER AND MANAGER

6.1 INVESTMENT ADVISER

The Trustees continually assesse and reviews the performance of their adviser in a qualitative way.

6.2 INVESTMENT MANAGERS

The Trustees receive regular monitoring reports on the performance of the funds directly from the investment managers. These present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager’s stated target performance (over the relevant time period).

6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although note that the performance monitoring reports which they receive are net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested and will include further information about this when next updating the SIP.

7 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released Investment Guidance for Defined Benefit Pension Schemes.

The Trustees consider receiving investment advice which ensures that the principles contained within this guidance are applied to the Scheme as far as is relevant to the Scheme's circumstances.

The Trustees monitor developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

8 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on 20th July 2021

The Trustees approve this Statement on 20 July 2021.

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's strategic asset allocation benchmark is set out below:

Asset Class	Strategic Allocation (%)	Guideline Range (%)
Growth Assets	**100.0**	
Multi Asset Funds	100.0	+/-10.0
Stabilising Assets	**0.0**	
Cash	0.0	+10.0
Total	**100.0**	

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the Scheme is invested at the time of producing this Statement.

APPENDIX 2: CASH FLOW AND REBALANCING POLICY

Where monies are raised through the sale of assets, this will be subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Fund’s cashflow requirements. This Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme invests with M&G Investments and Scottish Widows Pensions Management (SWF) Limited.

The tables below show the details of the mandate(s) of each fund held with the managers.

Growth Assets

Manager / Fund	Benchmark	Objective	Annual management Charge (AMC)	Additional Expenses
Multi Asset Funds				
Scottish Widows Managed Fund	None	To provide long term total return through investment in a range of asset classes, in any geographical area.	0.35%	0.05%
M&G Discretionary Fund	Composite*	To outperform the internal composite benchmark by 1.15% to 1.40% per annum, gross of fees, on a rolling three-year basis	0.40%	0.08%

The internal composite benchmark set by M&G is as follows:

- 26% FTSE All Share Index
- 10.4%FTSE World North America Index
- 10.4% FTSE World Europe (ex-UK) Index
- 4.6% FTSE Japan Index
- 10.4% FTSE All World Asia Pacific ex-Japan Index
- 3.2% MSCI Emerging Markets Index
- 7.5% PPL Property Fund 1 month gross return
- 2.5% Merrill Lynch Global High Yield Index
- 2.0% London Interbank 7 Day Deposit Rate
- 10.9% iBoxx Sterling Non Gilts Index
- 8.1% Barclays US Aggregate Bond Index (GBP)
- 2.8% Asia Internal Composite
- 1.2% Merrill Lynch Euro Corporate bond Index (GBP)

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the investment managers and custodian (if required)
- Assessing the quality of the performance and processes of the investment managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
  Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER

The Investment Adviser's responsibilities depend on appointment but can include the following:

- Participating with the Trustees in the review of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustees, at its request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the investment managers' organisation could affect the interests of the Scheme
  - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of investment managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

The responsibilities of the investment managers include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios.
- Informing the Trustees of any changes in the internal performance objectives and guidelines of their funds as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments

SCHEME ACTUARY

The Scheme Actuary's responsibilities in relation to include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment managers according to the Trustees' instructions