PERCY HEDLEY PENSION SCHEME
STATEMENT OF INVESTMENT PRINCIPLES

DECEMBER 2023

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1 INTRODUCTION

This Statement of Investment

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their 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. The Trustees have also received written advice from their Fiduciary Manager.

The Trustees have established a return object for the assets and a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

The Trustee have also established a De-Risking Plan to support the Scheme's Long-Term Objective ("LTO") of being fully funded on a Technical Provisions basis by 31 August 2037.

The De-Risking Plan guidelines are set out in Appendix 2.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth

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.

All the funds in which

governance policies. These policies, which are provided to the Trustees from time to time, take into account the

5 RISK

Under the Pensions Act 2004, the

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 have therefore made an investment into LDI funds to help mitigate this risk.

OTHER PRICE RISK

- This is the risk of volatility that principally arises in relation to the return seeking assets.
- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG RISK

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision making process.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the Fiduciary Manager. As a result, part of the rating process of the Fiduciary Manager and decision-making process in relation to the underlying investment managers/funds is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Scheme provides a facility for members to pay for Additional Voluntary Contributions (“AVCs”) to enhance their benefits at retirement. Members are offered a range of funds in which to invest their AVCs.

All of the Scheme’s AVCs are invested through Standard Life, however there are currently no contributing members.

The Trustees are satisfied that members are offered a sufficiently wide range of options in relation to their AVCs.

8 CODE OF BEST PRACTICE

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

The Trustees have received training in relation this guidance and are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme’s circumstances.

The Trustees meet with their Fiduciary Manager on a quarterly basis. This enables developments to be monitored, both in relation to the Scheme’s circumstances and in relation to evolving guidance and will enables the Scheme’s investment approach to be revised if considered appropriate.

9 COMPLIANCE

The Scheme's Statement of Investment [illegible] memb[illegible] request.

A copy of the [illegible] Statement [illegible] Scheme's investment manager(s), the Scheme's auditor [illegible] actuary.

This Statement of Investment Principles [illegible] which as a whole with the Appendices [illegible] supersedes [illegible] approved by the Trustees on 14 Decem[illegible]

Approved by [illegible]

APPENDIX 2: DE-RISKING PLAN GUIDELINES

time.

The funding level triggers are one-way de-risking triggers. CTI may only move to lower return investment strategies and not back to higher return strategies.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 3.

APPENDIX 3: CASHFLOW AND REBALANCING POLICY

Rebalancing Policy

The asset allocation will be monitored by the fiduciary manager and a suitable procedure has been put in place for rebalancing.

Any change to the Strategic Allocation or guideline ranges will require a signed revision to the FMA.

Cashflows Policy

The Trustees have put in place a suitable procedure for managing the Scheme’s cashflows. Details of this procedure are specified in the FMA with CTI.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

LDI Recapitalisation

The Trustees note that the LDI manager may require additional assets from time to time in order to support the operation of the LDI funds or may release assets from time to time. The process to provide cash and receive cash for the purpose of LDI leverage management is managed by CTI as the fiduciary manager.

APPENDIX 5: 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 Fiduciary Manager

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Fiduciary Manager 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.

APPENDIX 6:
FEES AND COSTS

The Trustees recognise that the provision of investment management, dealing and advisory services to the Scheme results in a range l ag